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Ministry of Higher Education and Scientific Research

Oran Graduate School of Economics

المدرسة العليا للاقتصاد وهران

ORAN GRADUATE SCHOOL OF ECONOMICS

Pedagogical Handout

Course :

« ECONOMICS AND ANALYSIS OF ORGANISATIONS»

For Students
First Year Second Cycle

« common core»

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INTRODUCTION :

The course handout on *Economics and Analysis of Organisations* serves as a foundational academic tool for first-year second-cycle students in the common core. It provides a structured and accessible overview of key economic concepts and organisational theories, tailored to the level and needs of graduate students preparing for advanced studies in management, economics, or public administration. The handout facilitates a better understanding of how organisations function, make decisions, coordinate activities, and interact with their environments. It also helps students connect theoretical frameworks with real-world practices through case studies, diagrams, and analytical tools. As such, it supports critical thinking, interdisciplinary learning, and the development of skills essential for future managers, economists, or analysts. Ultimately, this resource ensures students acquire a solid conceptual base to approach more specialised modules in strategic management, governance, human resources, or economic policy.

Learning Objectives

This course aims to:

- Introduce the fundamental concepts and tools in the economics of organisations.
- Examine the role of incentives, information asymmetries, and governance structures in shaping organisational behaviour.
- Understand the major economic theories of organisation, including transaction cost economics, contract theory, property rights theory, and evolutionary approaches.
- Apply analytical tools to assess organisational coordination, decision-making, and governance mechanisms.
- Develop a critical perspective on how firms and institutions organise resources and respond to market or institutional constraints.

Target skills :

At the end of this module, students will be able to:

- Explain the theoretical foundations of organisational forms and structures.
- Identify and interpret economic mechanisms influencing organisational choices.
- Analyse concrete organisational scenarios using concepts from economic theory.

- Assess governance strategies, coordination mechanisms, and labour organisation from an economic standpoint.
- Apply theories to real-world case studies in both private and public sector contexts.
- Define and classify various organisational types.
- Analyse internal structures and dynamics of organisations.
- Identify strategic roles and functions in modern enterprises.
- Apply theoretical frameworks to real-world organisational challenges.
- Use decision-making tools to resolve organisational issues effectively.

Course Content Structure

Chapter 01: Introduction to Economics of Organisations

- Section 01: Definitions, Approaches and Classifications of Organisations
- Section 02: Basic Economic Concepts

Chapter 02: Organisational Theories

- Section 01: Classical Theories
- Section 02: Human Resource Theories
- Section 03: Mosdern Managerial Theories
- Section 04: Contractual Theories

Chapter 03: Functions of the Organisation

- Section 01: Administrative Function
- Section 02: Human Resource Function
- Section 03: Production Function
- Section 04: Commercial Function
- Section 05: Procurement Function
- Section 06: Financial Function

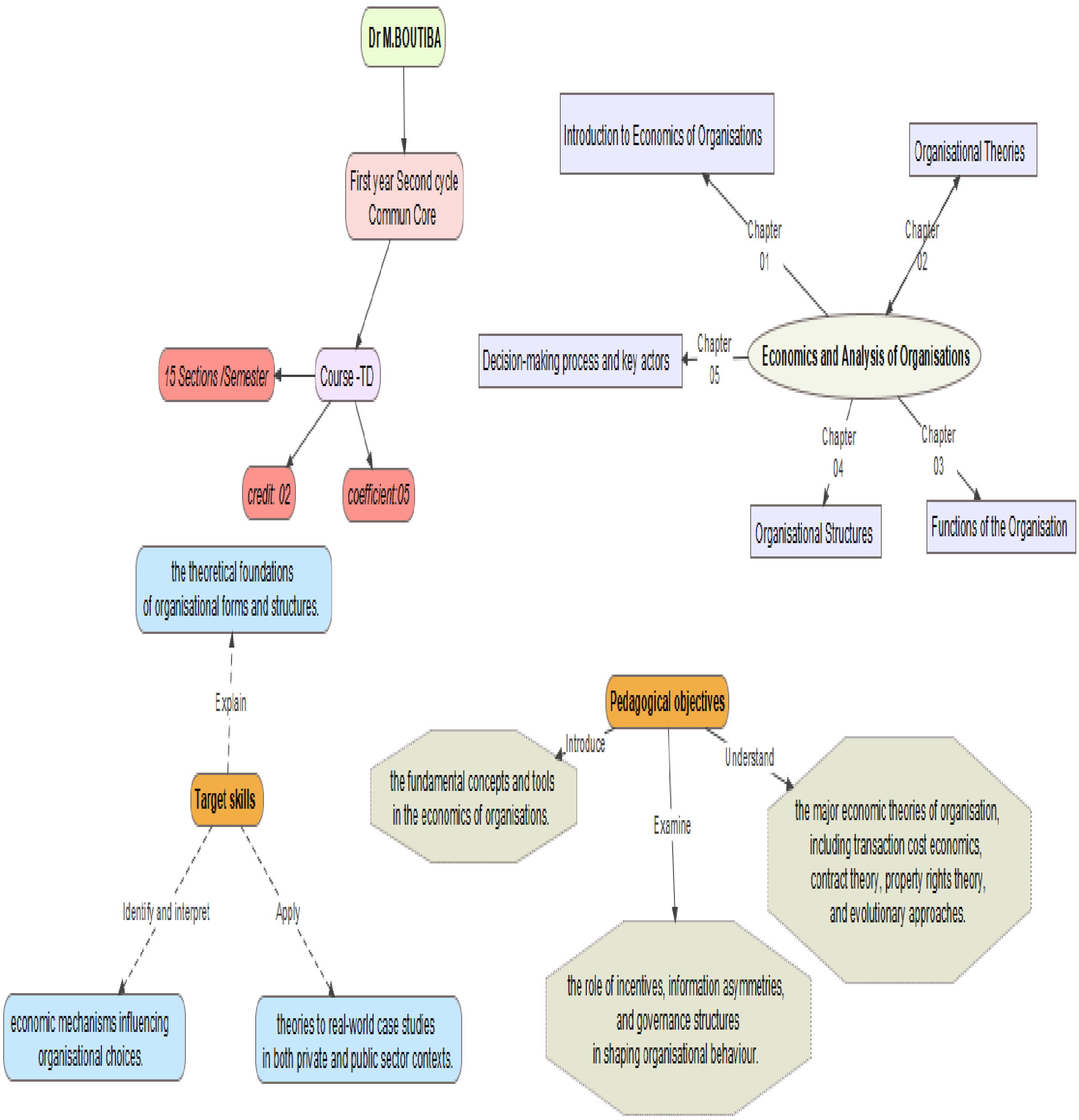
Chapter 04: Organisational Structures

- Section 01: Definitions and Types
- Section 02: Elements of Organisational Structure

Chapter 05: Decision-making process and key actors

- Section 01: Decision Actors and Processes
- Section 02: decision-making support tools : Brainstorming, Eisenhower, Matrix Discovery Matrix and Pareto Principle (80/20 Rule)

Figure 1 : Mind map of the module



Source : Author's elaboration by using VUE

CHAPTER 1:

INTRODUCTION TO ECONOMICS OF ORGANISATIONS

Organisations play a fundamental role in shaping modern economies by enabling individuals to collaborate in pursuit of common objectives. Whether in the form of private enterprises, public institutions, non-profit organisations, or international agencies, they coordinate human and material resources to produce goods, deliver services, and generate value. The economics of organisations examines how and why these entities are structured, how they operate, and the ways in which economic principles influence their decision-making processes.

This chapter develops a conceptual framework for understanding what organisations are, why they exist, and how they differ in terms of structure and purpose. It seeks to provide students with the theoretical foundations necessary to analyse organisations as economic and social entities.

Section 01 explores the different definitions, theories, and classifications of organisations, aiming to clarify how they can be identified and categorised. Section 02 introduces core economic concepts such as scarcity, efficiency, value creation, and resource allocation, which explain why organisations emerge and how they function.

Chapter plan :

Section 01: Definitions, Approaches and Classifications of Organisations

Section 02: Basic Economic Concepts

Section 01: Definitions, Approaches and Classifications of Organisations

To study organisations, we first need to understand what they mean, how researchers have explained them, and how they can be grouped. Organisations have been defined in many ways, and different theories show us their roles and characteristics. They can also be classified according to their goals, structure, or way of working. This section introduces these basic ideas to give a clear starting point for analysing organisations.

1.1. Definitions of organisation :

An organisation is a long-standing and multifaceted concept, whose modern definition reflects its role in economic coordination and structured human interaction. It can be defined as « *an economic coordination unit with identifiable boundaries, operating on a relatively continuous basis, with the aim of achieving a goal or set of goals shared by its participating members* » (Robben, Coulter, Decenzo, Ne, Gabilliet, & Clement, 2018, p. 7)

Organisations typically exhibit hierarchical management structures, encompassing leadership, middle management, and operational staff. Roles and responsibilities within the organisation are guided by internal rules, policies, and procedures that enable coordination and consistency in operations (MINTZBERG, 1983). Internal communication systems :both formal and informal support collaboration, decision-making, and performance monitoring. Increasingly, organisations rely on information systems and digital tools to enhance communication, strategic planning, and operational efficiency.

More broadly, an organisation refers to a structured group of individuals working collectively to achieve a common objective. This objective can be commercial, such as producing and selling goods or services, or non-commercial, such as delivering education, healthcare, or social support (Daft R. , 2016). Organisations exist in a variety of forms and sizes, from small family businesses to large multinational corporations, and include public sector bodies, NGOs, and professional associations.

Organisations also operate within and respond to external environmental conditions. Factors such as market competition, government regulations, technological shifts, and macroeconomic changes significantly influence organisational strategy and performance. Successful organisations are those that can adapt to external pressures by reconfiguring operations, updating objectives, and innovating products or services (Burns & Stalker, 1961)

In summary, the organisation is a concept that describes groups of people working together to achieve a common objective. Organisations are often hierarchical, governed by internal policies and procedures, include communication processes, and are influenced by external factors.

1.2. Approaches to Organisations

Different schools of thought have developed frameworks to understand organisations:

1.2.1. Economic Approach

The economic perspective views organisations as instruments for efficient resource allocation and production. (Coase, 1937) argued that firms exist because they reduce transaction costs compared to market exchanges. In this sense, organisations are mechanisms for coordinating production and minimizing inefficiencies.

1.2.2. Sociological Approach

The sociological view emphasizes organisations as social systems shaped by culture, norms, and power relations. (Weber, 1947) described bureaucracy as a rational-legal form of organisation characterized by hierarchy, rules, and impersonality. From this perspective, organisations are not only technical systems but also arenas of authority, conflict, and cooperation.

1.2.3. Managerial Approach

The managerial approach focuses on organisations as goal-oriented entities that require effective planning, coordination, and leadership. (Fayol, 1949) identified key managerial functions (planning, organizing, commanding, coordinating, and controlling) necessary for organisational efficiency. Contemporary management theories extend this view by integrating leadership, motivation, and strategic alignment (Daft L. , 2021)

1.2.4. Systems Approach

The systems perspective sees organisations as open systems that interact with their environment (Katz & Kahn, 1978). They import resources, transform them into outputs, and exchange information with external stakeholders. This approach highlights interdependence, adaptability, and feedback mechanisms, providing a holistic understanding of organisational dynamics.

1.3. Fundamental Characteristics of an Organisation

An organisation is a structured system created to achieve specific goals through the coordinated efforts of individuals. It exhibits several fundamental characteristics that distinguish it from informal or spontaneous groupings. These traits are essential for understanding how organisations function and sustain themselves over time.

Table 1 : Characteristics of an Organisation

Characteristic	Explanation
Common Purpose	Every organisation exists to pursue shared objectives : whether profit-oriented or service-driven. This common goal provides unity and direction for all members.
Formal Structure	Organisations have an intentional design that includes hierarchical levels, defined roles, and rules governing operations. This formal structure ensures accountability, role clarity, and operational efficiency.
Coordination	Activities within an organisation are coordinated through established procedures, communication channels, and job roles. This coordination enables collaborative action and reduces conflict or redundancy
Durability	Unlike temporary groups, organisations are built to persist over time. They implement systems, cultures, and procedures that allow them to adapt, grow, or sustain themselves despite external changes.
Combined Resources	Organisations mobilise and combine various types of resources (human, material, financial, and informational to achieve their mission effectively (PENROSE, 1959)

Source: Author's elaboration adapted from (PENROSE, 1959) (MINTZBERG, 1983) (Drucker, 2007)

Organisations are deliberately designed systems that manage complexity and achieve results by setting objectives, assigning roles, and coordinating activities. These features allow them to adapt to changing environments, ensure efficiency, and provide a basis for analysing behaviour, performance, and structure. Understanding these characteristics also helps identify strengths and weaknesses and supports efforts to improve organisations in response to contemporary challenges.

1.4. Criteria for Classifying Organisations

Organisations can be classified along several dimensions:

1.4.1. Legal Form

- **Private organisations**: businesses aimed at profit
  (e.g : sole proprietorships, partnerships, corporations).
- **Public organisations**: owned and operated by the state for the public good
  (e.g : ministries, public hospitals).

1.4.2. Economic Activity

- Primary sector: agriculture, fishing, mining.
- Secondary sector: manufacturing and construction.
- Tertiary sector: services.
- Quaternary sector: information and knowledge-based industries.

1.4.3. Organisational Size

- Microenterprises: <10 employees.
- Small enterprises: 10–49 employees.
- Medium-sized enterprises: 50–249 employees.
- Large enterprises: 250+ employees or multinationals.

Each type faces distinct regulatory frameworks, operational constraints, and strategic opportunities.

1.5. Organisational Objectives and Missions

Organisations are created to achieve specific objectives that justify their existence and guide their activities. These objectives vary depending on the organisation's nature, ownership, and strategic orientation. Organisational objectives provide a sense of direction, unify efforts, and serve as criteria for evaluating performance.

1.5.1. Economic Objectives **:** These objectives focus on financial and market performance and are central to capitalist organisational models. (FRIEDMAN , 1970)

- Profit maximisation ;

- Market share expansion ;
- Return on investment (ROI) ;
- Cost efficiency and competitiveness ;
- Shareholder value creation.

1.5.2. Social Objectives : These goals relate to improving the well-being of people and society at large.

- Delivering social value (healthcare, education, housing) ;
- Improving quality of life in communities ;
- Promoting inclusion and equity ;
- Serving the public interest ;
- Employee well-being and development.

1.5.3. Environmental Objectives **:** Environmental goals aim to reduce negative ecological impact and ensure sustainability.

- Implementing sustainable production and operations ;
- Preserving natural resources ;
- Complying with environmental regulations ;
- Engaging in eco-friendly innovation.

1.5.4. Governance and Ethical Objectives **:** These objectives focus on transparency, accountability, and ethical conduct : (OSBORNE & GAEBLER , 1992)

- Ensuring good governance and compliance ;
- Promoting transparency and integrity ;
- Strengthening accountability mechanisms ;
- Respecting laws, norms, and ethical standards ;
- Building stakeholder trust.

1.5.5. Strategic and Organisational Development Objectives **:** These are internal goals for ensuring the organisation’s sustainability and adaptability.

- Innovation and continuous improvement ;
- Strategic positioning in the market/environment ;
- Human capital development and capacity building ;
- Organisational learning and adaptation ;

- Digital transformation and technological advancement.

Organisational objectives and missions are not static; they evolve in response to changes in the institutional environment, technological trends, stakeholder expectations, and global challenges.

1.6. Organisation, Enterprise and Institution: Conceptual Distinctions

In economic theory, it is important to distinguish between the terms : organisation, enterprise and institution, even though they are often used interchangeably in common language.

An enterprise is a particular type of organisation dedicated to the production of goods or services, typically with the goal of generating profit. In contrast, the term organisation more broadly refers to any structured collective whether private, public, or non-profit: that pursues a shared objective.

An institution is defined as a set of rules, norms, and values that govern behaviour and interactions among individuals in a society. Institutions may be formal, such as laws and regulations, or informal, such as customs, traditions, and conventions (NORTH, 1990). Institutions play a crucial role in regulating economic behaviour and organising economic activity. They shape the rules of the game and determine how incentives are structured. For example, institutions may regulate working conditions, protect property rights, enforce contracts, and facilitate market access.

The market, in contrast, is a system of exchange in which goods, services, and resources are traded between individuals, firms, and governments. Markets are characterised by elements such as competition, prices, supply, and demand. Prices are determined through the interaction of supply and demand, and resources are allocated to their most valued uses in society (SAMUELSON & NORDHAUS, 2010). Markets can take various forms, including product markets, financial markets, labour markets, and natural resource markets.

Thus, institutions and markets are two key concepts in economics. Institutions regulate economic behaviour and structure economic activity, while markets are exchange mechanisms that allocate resources based on price signals and competitive dynamics. The two concepts are often interdependent and complementary, with institutions shaping the conditions under which markets operate and markets functioning as tools within institutional frameworks.

1.7. Classification of Enterprises in Algeria

In Algeria, enterprises ae classified using various criteria, including size, legal form, sector of activity, and sources of financing. These classifications are crucial for determining eligibility for state support, tax benefits, and regulatory frameworks.

1.7.1. Classification by Size **:** According to (Executive Decree No. 17-02 of January 5, 2017) , Algerian enterprises are categorised based on employee count and annual turnover:

Table 2 : Classification of Enterprises in Algeria by Size

Type of Enterprise	Employees	Annual Turnover (DZD)
Microenterprise	1 to 9	≤ 60 million DZD
Small Enterprise	10 to 49	≤ 200 million DZD
Medium Enterprise	50 to 249	≤ 2 billion DZD
Large Enterprise	250 or more	> 2 billion DZD

Source : (Executive Decree No. 17-02 of January 5, 2017)

1.7.2. Classification by Legal Form : Legal status defines ownership structure, liability, and capital requirements:

Table 3 : Classification of Enterprises in Algeria by Legal Form

Legal Form	Main Characteristics
Sole Proprietorship	Single owner, unlimited liability
Limited Liability Company (LLC/SARL)	1–50 partners, minimum capital of 100,000 DZD
Single-Member LLC (EURL)	Variant of SARL with a single shareholder
Joint Stock Company (SPA)	Capital divided into shares, suited for large-scale enterprises
General Partnership (SNC)	Unlimited and joint liability among partners

Source : (Ministry of Trade and Export Promotion (Algeria))

These legal forms influence the risk exposure, governance, and expansion potential of businesses (OECD, 2020).

1.7.3. Classification by Sector of Activity

Algerian enterprises are also grouped by their economic sector:

Table 4 : Classification of Enterprises in Algeria by Sector of Activity

Sector	Activities
Primary	Agriculture, fishing, forestry
Secondary	Industry, manufacturing, construction
Tertiary	Commerce, transport, services, tourism
Quaternary	Information technology, education, research, and other intellectual services

Source : (EconomicActivity, 2025)

Studying organisations is essential because they are building blocks of economic systems. They generate employment, create wealth, and contribute to innovation and social development (Jones & George, 2022). Moreover, understanding organisational dynamics provides insights into decision-making, competitiveness, and policy design.

In contexts such as Algeria, where economic diversification and entrepreneurship are policy priorities, analysing organisational forms helps to identify opportunities for sustainable development and competitiveness in regional and global markets. (Kherbouche, 2020)

Section 02 : Economics of Organisations

The study of the economics of organisations provides the necessary foundation for understanding how economic principles apply to organisational contexts. It explores the fundamental concepts of economics, the distinction between microeconomics and macroeconomics, and the essential functions of management. By examining these dimensions, this section highlights the roles organisations play within the economy, both as units of production and as actors that influence markets, employment, and growth.

2.1. Definitions of Economics

(SMITH, 1776) viewed economics as the study of the production, distribution, and accumulation of wealth within nations. He emphasized the role of labour, self-interest, market exchange, and the division of labour in promoting economic prosperity. Smith argued that individual pursuit of self-interest, coordinated through market mechanisms, could contribute to national wealth and social welfare. His analysis also highlighted the importance of institutions, governance, and economic freedom in supporting growth and prosperity.

(MILL, 1848) defined economics, or political economy, as the study of the laws governing the production and distribution of wealth. He emphasized that economic phenomena arise from human activities carried out within society and are influenced by institutions, social relations, and collective organization. Mill highlighted both the creation and allocation of wealth, stressing that economics is not limited to material production but also concerns the ways in which societies organize resources and distribute economic outcomes. His approach positioned economics as a social science focused on understanding how human behaviour and institutional structures shape economic prosperity and social welfare.

« *Economics is the science which studies human behavior as a relationship between ends and scarce means which have alternative uses.* » (ROBBINS, 1932, p. 16). This definition highlights three key principles of economics: scarcity, choice, and the efficient allocation of resources. Robbins' approach frames economics not merely as a study of wealth or markets, but as a science of decision-making under constraint.

« *Economics is the study of how people and society choose, with or without the use of money, to employ scarce productive resources to produce various commodities and distribute them for consumption, now or in the future.* » (SAMUELSON & NORDHAUS, 2010, p. 5).

This definition broadens the scope of economics by emphasizing the social nature of economic decision-making and the processes of production, distribution, and consumption of goods and services. It also highlights that economics is not limited to markets or monetary transactions, but rather concerns the choices societies make over time in allocating scarce resources to satisfy competing needs and priorities.

« *Economics is the study of how people make choices under conditions of scarcity and of the results of those choices for society.* » (KRUGMAN & WELLS, 2018, p. 2). Economics can be defined as the science that studies how scarce resources are used to satisfy unlimited human wants. It focuses on the choices made by economic agents: households, firms, and governments, within a context of scarcity and constraints. (Mankiw, 2021)

In summary, economics is a social science that studies how individuals, firms, and societies make decisions regarding the allocation of scarce resources in order to produce, distribute, and consume goods and services efficiently over time. It examines both present and intertemporal choices under conditions of scarcity and constraint. From an Islamic perspective, economics also seeks to promote social justice, solidarity, and sustainable welfare, while ensuring that economic activities comply with ethical principles and Shariah guidelines.

2.2. The Main Branches of Economics

Economics is divided into two major and complementary fields of analysis: microeconomics and macroeconomics. These two branches allow for an understanding of how economic systems function at different levels of scale.

2.2.1. Microeconomics: Economics at the Level of Individual Agents

Microeconomics examines the economic behavior of individual units, including households, firms, and specific markets. It analyzes how these agents make decisions by considering their available resources, market prices, and personal preferences, highlighting the mechanisms through which choices are made and resources are allocated. (Mankiw, 2021)

Practical Example: A company sets the price of its product based on consumer demand.

Objectives of Microeconomics:

- To understand how consumers decide what to purchase.
- To analyse how producers decide what to produce and at what cost.
- To examine how the prices of goods and services are formed in markets.
- To study competitive interactions (perfect competition, monopoly, oligopoly).
- To assess externalities (indirect positive or negative effects of an economic activity).

2.2.2. Macroeconomics: Economics at the Global Level

« Macroeconomics is the study of economy-wide phenomena, including growth, unemployment, inflation, and public policy, at the national or global level. » (Blanchard, 2017)

Practical Examples: Analysing the unemployment rate trends in Algeria, and studying inflation and its impact on purchasing power.

Objectives of Macroeconomics:

- To assess a country's overall economic performance.
- To understand the causes of economic growth or recession.
- To fight unemployment and inflation.
- To design effective fiscal and monetary policies.

2.3. Distinctions between Microeconomics and Macroeconomics

Microeconomics and macroeconomics are two closely related and complementary branches of economic analysis. They both rely on the same basic ideas (such as scarcity, rational decision-making, and incentives) but they differ in what they observe and how they interpret economic activity.

Microeconomics focuses on the behaviour of individual economic units, such as households, firms, and specific markets. It tries to understand how these actors make decisions, how prices are formed, how production costs are determined, and how markets function under different structures. It also examines issues such as consumer choice, externalities, and resource allocation at a very detailed level.

Macroeconomics, in contrast, looks at the economy as a whole. It is concerned with broad indicators such as national income, inflation, unemployment, and economic growth. It also studies large-scale economic fluctuations and seeks to understand the forces that drive expansion, recession, and long-term development.

The two fields also differ in their policy orientation. Microeconomic policies are usually targeted and specific, such as taxes on particular goods, subsidies, or regulations affecting certain industries. Macroeconomic policies, on the other hand, operate at the national level and include tools like fiscal policy, monetary policy, and strategies for controlling inflation or stimulating growth.

Despite these differences, microeconomics and macroeconomics are deeply interconnected. The choices made by individuals and firms ultimately shape overall economic performance, while macroeconomic conditions such as inflation, interest rates, or unemployment influence everyday decisions at the micro level. In this way, both perspectives are necessary for a complete understanding of how an economy functions.

2.4. Management: Definitions and functions

Management can be defined as both the art and science of coordinating and guiding the efforts of individuals within an organisation to achieve common goals effectively and efficiently.

2.4.1. Definitions of Management :

(Drucker, 2007) described management as: « *A practice that makes people capable of joint performance, enabling them to achieve common goals and to grow through their efforts* ». Drucker's definition highlights a very human and collective view of management. It goes beyond control or administration and emphasizes coordination, collaboration, and shared achievement. In this sense, management is not only about reaching organizational goals, but also about enabling individuals to develop and grow through working together, which reflects a more participative and developmental approach to organizational life.

(Kotler & Keller, 2016) defined management as: « *The process of planning, organizing, directing, and controlling resources to achieve specific goals in a given environment* ».

This definition highlights management as a structured and dynamic process rather than a simple set of tasks. It clearly emphasizes the key managerial functions—planning, organizing, directing, and controlling—which together ensure that resources are used efficiently and strategically. What makes this view particularly important is its focus on goal achievement within a specific environment, reminding us that management is not done in isolation but is continuously shaped by internal capacities and external conditions.

Management can be understood as the way organizations turn ideas into action. It is about coordinating people and resources in a structured manner to reach set objectives. Beyond procedures and tools, it reflects a continuous effort to make decisions, guide teams, and adapt to changing conditions so that organizational goals are achieved in an efficient and effective way.

2.4.2. Management functions:

Management is typically structured around four fundamental and interdependent functions, often referred to as the management cycle: (Fayol, 1949)

- **Planning:** is the starting point of the management process and provides direction for all other managerial activities. It involves setting objectives, anticipating future conditions, and defining the strategies and actions needed to achieve desired outcomes. Through planning, managers clarify organizational goals, reduce uncertainty by assessing possible opportunities and risks, and ensure a rational allocation of resources. It includes setting SMART objectives, exploring different alternatives, evaluating their advantages and limitations, and selecting the most suitable option. Planning is not a one-time activity; it is continuous and must be regularly reviewed and adjusted in response to changes in the environment.
- **Organising:** is the process of structuring and arranging resources to put plans into action. It involves assigning tasks, defining roles, and coordinating human, financial, material, and informational resources in a way that supports organizational goals. This function helps create order within the organization by ensuring that responsibilities are clearly distributed and that efforts are aligned. Effective organising improves coordination, reduces inefficiencies, strengthens accountability, and facilitates smooth communication across different levels and units.
- **Leading / Directing:** focuses on the human side of management. It is about guiding, motivating, and influencing individuals and teams to work toward organizational objectives. This function includes communication, team leadership, conflict

resolution, and fostering a shared sense of purpose. Effective leadership requires both interpersonal understanding and strategic vision. It helps build commitment, encourages cooperation, and creates a positive work environment where employees feel motivated and engaged to contribute effectively.

• **Coordinating :** ensures that all activities within an organization work together in a coherent and unified way. It involves aligning tasks, departments, and resources so that efforts complement rather than conflict with each other. Good coordination improves communication between units, reduces duplication of work, and enhances overall efficiency. It also helps integrate diverse functions into a single, well-organized system that supports the achievement of common goals.

• **Controlling :** is the function that ensures organizational activities remain aligned with planned objectives. It involves setting performance standards, monitoring actual results, comparing them with targets, identifying gaps, and taking corrective actions when needed. This process allows managers to evaluate performance, detect inefficiencies, and improve decision-making. Controlling also supports continuous improvement by providing feedback that helps refine future planning and strengthen overall organizational performance.

2.5. The Roles of Organisations in the Economy

Organisations play a multifaceted and foundational role in modern economies. Whether public or private, for-profit or non-profit, all organisations contribute to the functioning and development of society through various essential economic, social, and institutional functions. (SAMUELSON & NORDHAUS, 2010) (Porter M. , 1985) (Schumpeter, 1942)

- **Production of goods and services** : Organizations are essential in producing and delivering goods and services that respond to the needs and expectations of individuals and communities. In doing so, they not only satisfy demand but also play a direct role in sustaining economic activity and growth.
- **Employment and skills development** : One of the most visible roles of organizations is job creation. Beyond providing income, they contribute to human capital development by offering training opportunities, encouraging specialization, and supporting career development and mobility.

- **Innovation** : Organizations, particularly firms and research institutions, are major sources of innovation. Through research and development activities, they introduce new technologies, improve processes, and enhance competitiveness, thereby driving economic and social transformation.
- **Social structuring :** Organizations also contribute to shaping social life by promoting shared norms, values, and behavioral standards. In this sense, they act as spaces where culture is transmitted and reinforced, helping to build social cohesion and a sense of collective identity.
- **Territorial and national development :** At a broader level, organizations support regional and national development through investment, infrastructure creation, employment generation, and engagement in socially responsible practices. They also stimulate local entrepreneurship and contribute to the attractiveness and dynamism of territories.

Organisations are key drivers of the economy, mobilizing resources, generating employment, producing goods and services, and promoting innovation. They contribute to economic growth, competitiveness, and social development, making their understanding crucial for analyzing economic performance and guiding effective management practices.

This first chapter has laid the conceptual foundations for understanding the economy and management of organisations. By examining the multiple definitions of organisations, their theoretical approaches, and their classifications, it has become clear that organisations are not homogeneous entities but diverse systems shaped by their objectives, structures, and environments. Particular attention was given to the Algerian context, where enterprises are shaped by legal frameworks, ownership structures, and economic policies. Altogether, this chapter equips students with a comprehensive framework for analysing organisational dynamics and offers the necessary background to critically address contemporary challenges that organisations face at both national and international levels.

CHAPTER 02:

VARIOUS APPROCHES TO MANAGEMENT

The notion of organization is one of the most complex to define, and many of the definitions provided are often subject to criticism. For the purpose of this discussion, we will adopt the following definition: "Organizations are social systems created by individuals to meet certain needs and achieve specific goals through coordinated actions."

The objective of this chapter is to highlight the main theories that have placed "organization" at the center of their research and analysis. The primary aim of these organizational theories is to decipher how organizations function to enhance our understanding of them. Given the vastness of this subject, scholars tend to focus on specific aspects of organizations rather than adopting a comprehensive approach, which is challenging due to the complexity of the phenomenon being studied.

The chapter is structured into six sections: the classical school, the human resources school, the systems and contingency approaches, the decision-making school, the sociological approach, and contractual theories of the firm. Together, these perspectives provide a comprehensive framework for analysing the multifaceted nature of organizations.

Chapter plan :

Section 01: The classical school ;

Section 02 : The human ressources school.

Section 03 : The Systems Approach to Organisations and the contingency school

Section 04 : The Decision-Making School of Organisational Theory

Section 05 : Sociological Approach

Section 06 : Contractual Theories of the Firm

Section 01 : the classical school

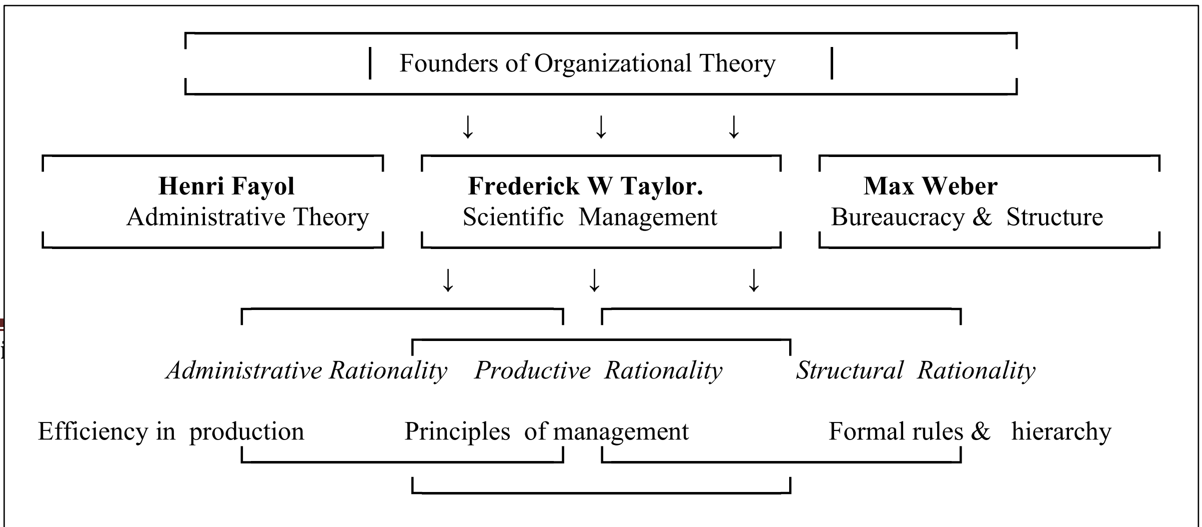
Among the key pioneers of organizational theory are the French scholar Henri Fayol, the American engineer Frederick Winslow Taylor, and the German sociologist Max Weber. These three thinkers are considered the founders of what is commonly referred to as the "Classical School of Management," and their ideas have had a profound influence on modern business practices.

Fayol primarily focused on the principles of business administration and laid the foundation for administrative theory. Taylor, on the other hand, concentrated on the organization of production workshops, leading to the development of "Taylorism" or "Scientific Management." Meanwhile, Weber advocated for a bureaucratic structure in organizations, believing that bureaucracy was the key to organizational efficiency.

Despite their differing perspectives, these classical theorists shared a common approach to organizational analysis: the pursuit of rationality. This rationality was expressed in different ways:

- Productive Rationality: Taylor's emphasis on efficiency in production.
- Administrative Rationality: Fayol's focus on management principles.
- Structural Rationality: Weber's advocacy for bureaucratic organization.

Figure 2 : Classical School of Management



Source : Author's elaboration

1.1. Taylorism and Scientific Management

Frederick Winslow Taylor (1856–1917), a key founder of organizational theory, drew on his experience rising from factory worker to chief engineer. His background and hands-on experience provided him with deep insights into productive work and a comprehensive understanding of workshop operations.

The core idea of scientific management is the integration of science and management in workplace organization. Taylor argued that decisions regarding production activities should not be made intuitively but should instead be based on a scientific analysis of individual tasks. In his view, the application of scientific methods to task analysis and improvement was the only solution to what he called "the greatest evil of the century", inefficiency in the workplace.

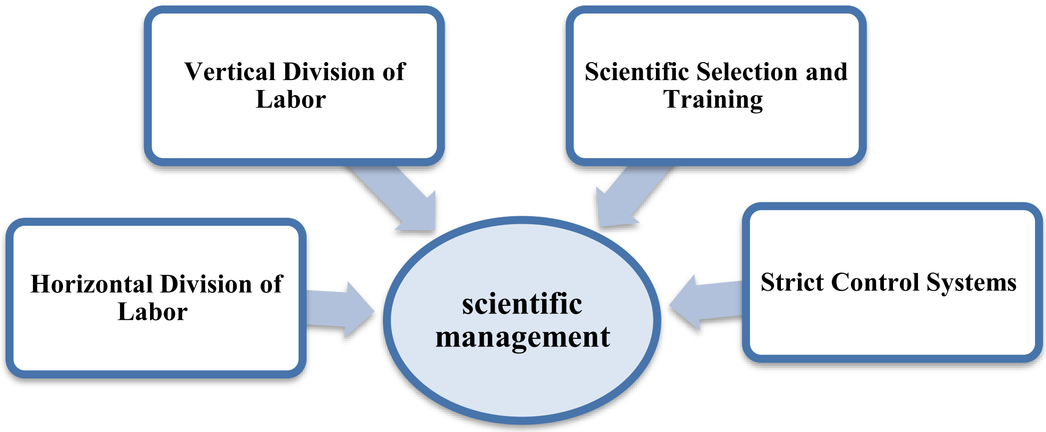
The starting point of Taylor's approach was a systematic study of workshop processes aimed at eliminating unnecessary movements and idle time. His ideas can be summarized in four key principles: (Taylor, 1911).

- **Horizontal Division of Labor** : Taylor advocated for specialization by fragmenting tasks into smaller, clearly defined components. Through motion and time studies, he sought to identify the most efficient way to perform each task, thereby reducing unnecessary movements and idle time. Supervisors played a key role in prescribing standardized procedures, ensuring that each worker followed scientifically determined methods to maximize efficiency
- **Vertical Division of Labor** : Taylor introduced a clear distinction between managerial and labor responsibilities. Workers were to focus exclusively on task execution, while managers assumed responsibility for planning, supervision, and decision-making . hierarchical structure minimized worker discretion and ensured that managerial

expertise guided operational efficiency, forming the basis of contemporary organizational hierarchy models.

- **Scientific Selection and Training** : Rather than allowing workers to select their tasks arbitrarily, Taylor emphasized the scientific selection of employees based on their suitability for specific jobs. He proposed rigorous training and coaching programs to equip workers with standardized skills and techniques, enabling them to perform their tasks with greater precision and efficiency. This principle laid the foundation for modern human resource management, particularly in workforce planning and skills development.
- **Strict Control Systems** : To maintain consistency and discipline, Taylor advocated for rigorous supervision and monitoring mechanisms. He believed that workers should strictly adhere to scientifically determined methods, with minimal deviation. This principle reinforced the need for quality control measures and structured performance evaluations, which are widely applied in modern industrial management.

Figure 3 : Scientific Management



Source : Author’s elaboration

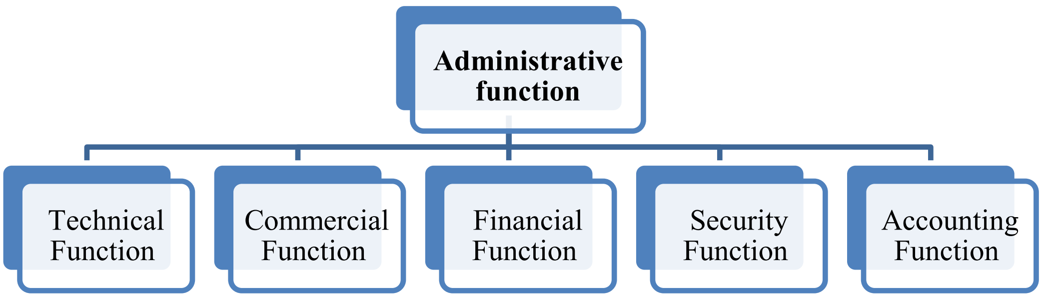
Taylor’s scientific management boosted productivity and profitability in manufacturing by optimizing work processes. Critics, however, argued it dehumanized employees by prioritizing efficiency over worker satisfaction. Taylor viewed scientific management as a way to resolve labor-capital conflicts by increasing overall productivity, benefiting both workers’ wages and business profits, and laying the foundation for modern operations management and process optimization.

1.2. Fayol's Administrative Approach

Henri Fayol (1841–1925) focused on the role of managers, drawing on his professional experience as an engineer and later general director of a mining company for thirty years. His book *General and Industrial Administration* presents management principles and rules as practical guidance for executives. Fayol played a crucial role in the development of classical management theory, offering a top-down administrative approach that emphasized the importance of organizational structure and leadership. Fayol focused on corporate leadership and managerial functions at the executive level. Unlike Taylor's empirical, data-driven approach, Fayol formulated his principles based on personal experience as a general director and provided practical guidance for business leaders rather than relying on quantitative analysis (Wren & Bedeian, 2009) .

Fayol classified business activities into six categories

Figure 4 : the Six functions of organization



Source : adapted from (Fayol, 1916)

- **Technical Function** : This function pertains to the core production processes within an organization, including manufacturing, processing, and transformation of raw materials into finished goods. It ensures that goods and services are created efficiently while maintaining quality standards
- **Commercial Function** : The commercial function encompasses purchasing, selling, and trading activities. It involves supply chain management, market analysis, customer relationships, and distribution networks to maintain the organization's competitiveness in the market.
- **Financial Function** : This function is concerned with capital acquisition and resource allocation to ensure the financial stability and profitability of the organization. It includes budgeting, financial forecasting, investment decisions, and risk management.

- **Security Function** :The security function focuses on safeguarding people and assets from potential threats, including workplace hazards, theft, and external risks. It encompasses risk assessment, compliance with safety regulations, and cybersecurity measures in modern organizations.
- **Accounting Function** : Accounting is critical for financial transparency and decision-making. It involves inventory management, financial reporting, balance sheet analysis, cost accounting, and tax compliance to provide accurate financial insights for managers and stakeholders.
- **Administrative Function** : Fayol's most significant contribution to management theory lies in the administrative function, which includes five key managerial activities:

  - **Planning:** Defining objectives and determining the best course of action to achieve organizational goals.
  - **Organizing:** Structuring resources and activities in a coordinated manner to implement plans effectively.
  - **Commanding (Leading/Directing):** Guiding and motivating employees to carry out their tasks efficiently and in alignment with organizational objectives.
  - **Coordinating:** Ensuring harmony among different departments, activities, and efforts to achieve smooth operations.
  - **Controlling:** Monitoring performance, comparing it against established standards, and taking corrective actions when necessary to maintain alignment with goals.

These activities form the foundation of Fayol's top-down approach to management, emphasizing the systematic and structured role of executives in achieving organizational efficiency and effectiveness.

Fayol identified 14 management principles that should be flexibly applied based on the company's conditions, activities, and personnel:

Table 5 : 14 Management principles

Principle	Explanation & Development	Academic Insight
1. Division of Work	Work specialization improves efficiency and skill development. Tasks should be broken down to maximize productivity.	Specialization enhances technical expertise and efficiency within organizations.

2. Authority & Responsibility	Authority must be balanced with responsibility; managers must enforce discipline while being accountable.	Authority without responsibility can lead to misuse of power, while responsibility without authority hampers decision-making.
3. Discipline	Employees must respect rules and agreements; discipline ensures smooth functioning.	Effective discipline relies on leadership, clear rules, and fairness.
4. Unity of Command	Each employee should report to only one superior to avoid confusion and conflict.	Organizations adapt this principle to avoid role ambiguity.
5. Unity of Direction	One head and one plan for activities with the same objective.	Coordination under a single leader improves efficiency.
6. Subordination of Individual Interests to the General Interest	Organizational objectives must prevail over personal ambitions.	Aligning individual goals with corporate values enhances organizational cohesion.
7. Fair Remuneration	Compensation should be fair, adequate, and motivating for employees.	Fair pay supports motivation and employee satisfaction.
8. Centralization	Decision-making authority should be concentrated at higher levels, but with context-specific flexibility.	Modern firms balance centralized control with decentralized autonomy.
9. Hierarchy (Scalar Chain)	A clear chain of command ensures effective communication and authority distribution.	A defined line of authority promotes clarity, though flat structures sometimes modify it.
10. Order	People and materials should be in the right place at the right time.	Proper order improves efficiency, resource optimization, and reduces waste.
11. Equity	Managers must treat employees with fairness and justice to maintain loyalty.	Fair treatment fosters trust and a positive organizational climate.
12. Stability of Tenure	High employee turnover is costly; stability boosts performance.	Stability of personnel enhances efficiency and supports retention strategies.
13. Initiative	Employees should be encouraged to suggest and carry out improvements.	Encouraging initiative aligns with empowerment and participative management practices.
14. Team Spirit (Esprit de Corps)	Cohesion and harmony within teams strengthen the organization.	Collective morale and unity are essential for performance.

Source : adaptde from (Fayol, 1949)

Fayol's approach laid the foundation for professional management at a time when structured management education did not exist. His work legitimized the role of managers in coordinating, controlling, and planning corporate activities.

1.3. Weberian Bureaucracy

Max Weber (1864–1920), a founding figure in sociology and an important contributor to organizational theory, had no direct managerial experience. After studying law and exploring economics, philosophy, history, and theology, he briefly worked as a lawyer in Berlin.

His major contribution to the field of management comes from his work Economy and Society, where he analyzes different types of authority and the role of the state. This work explores three main themes: identifying the key characteristics of a specific organizational form (bureaucracy), explaining its historical development, and demonstrating its superiority over other forms of organization in the modern era.

Weber's bureaucratic model is structured around six fundamental principles that define its operational and administrative framework (Weber, 1947) :

- **Formal Hierarchical Structure** : Organizations should have a clearly defined chain of command, with a strict hierarchy where authority flows from top management to lower levels. Each level of the hierarchy has specific responsibilities and subordinates must report to their designated superiors. This structure helps maintain order, coordination, and accountability in large institutions.
- **Division of Labor and Specialization** : Work should be divided into specialized tasks, with employees assigned specific roles based on their expertise and qualifications. This rational division of labor increases efficiency and ensures that tasks are performed by those best suited for them .By clearly defining job roles, organizations can enhance productivity and minimize redundancy.
- **Standardized rules and regulations:** Bureaucracies operate based on formal rules, regulations, and standard operating procedures that guide decision-making and employee behavior. These rules ensure uniformity, fairness, and consistency, reducing favoritism and arbitrary decision-making . For instance, public administration relies on established procedures to maintain legal compliance and public accountability
- **Impersonality and Objectivity** : Weber emphasized the importance of impersonal relationships in bureaucratic organizations. Decisions should be made based on rational criteria rather than personal preferences or emotions. This ensures fair treatment of employees and clients, reducing bias and favoritism. In modern organizations, policies such as merit-based hiring and performance evaluations reflect this principle.
- **Promotion and compensation:** Hiring and promotions should be based on competency, qualifications, and performance rather than nepotism or political influence. Employees should be selected based on objective criteria, such as

education, experience, and professional skills. Many civil service systems and corporate HR policies today are structured around this principle.

- **Career Orientation and Job Security** : Bureaucracies provide employees with stable career paths, structured salaries, benefits, and tenure protections. This stability encourages long-term commitment, expertise development, and institutional knowledge retention. Employees are motivated to follow rules and adhere to organizational objectives when they have clearly defined career trajectories.

I.4. Critical Analysis of the Classical School of Management

The Classical School of Management emerged in the late 19th and early 20th centuries as a response to industrialization and the need for more structured and efficient management practices. It consists of three main approaches: Scientific Management (Frederick Taylor), Administrative Theory (Henri Fayol), and Bureaucratic Management (Max Weber). While these theories provided a strong foundation for modern management practices, they have also faced considerable criticism over time.

I.4.1. Strengths of the Classical School

The Classical School of management has played a key role in shaping modern managerial thought. It focused strongly on improving efficiency and productivity, particularly through Taylor’s Scientific Management, which aimed to enhance labor performance using time and motion studies, standardizing tasks, and promoting work specialization. In parallel, Fayol’s Administrative Theory introduced a structured view of management by defining essential functions such as planning, organizing, commanding, coordinating, and controlling principles that continue to guide managerial practice today. Similarly, Weber’s Bureaucratic approach highlighted the importance of a clear organizational hierarchy, well-defined roles, and decision-making based on formal rules, ensuring both efficiency and fairness within organizations.

I.4.2. Criticisms and Limitations

Although the Classical School made an important contribution to management theory, it has been widely questioned for several limitations. One major criticism is its mechanistic view of organizations, where firms are treated like machines and employees like replaceable parts. This perspective tends to ignore human emotions, creativity, and social relationships, a gap later highlighted by Elton Mayo and the Human Relations Movement, which showed that social factors and job satisfaction strongly influence productivity. Another limitation lies in its narrow understanding of motivation, especially in Scientific Management, which mainly assumes that workers are driven by financial rewards. Later theories, such as those of Maslow and Herzberg, demonstrated that individuals are also motivated by psychological needs such as recognition, achievement, and personal growth. In addition, the strong emphasis on hierarchy and bureaucracy in Weber's model can create rigidity and slow decision-making, making organizations less responsive to change. The Classical approach is also less suitable for today's dynamic and uncertain environments, where flexibility, innovation, and adaptability are essential. Finally, ethical concerns have been raised, as the strong focus on efficiency sometimes led to the neglect of workers' well-being and even to forms of excessive work pressure under Taylorist systems.

The Classical School of Management laid the groundwork for modern management theory by introducing structured, systematic approaches to efficiency and organizational design. However, its rigid, mechanistic, and overly hierarchical focus has been challenged by later developments in human relations, contingency management, and organizational behavior.

Section 02 : The human relations school

The Human Relations School emerged as a reaction to the excesses of Taylorism, which, in its relentless pursuit of productivity, led to behaviors that ultimately contradicted its original objectives. While this school implicitly maintains the same strategic vision as the Classical School (seeking to establish a universal framework for analysis) it introduces a crucial new dimension: the recognition of human beings as individuals and as members of a group.

2.1. Elton Mayo: Social Relations Within the Group

George Elton Mayo (1880–1949) was an Australian scholar who studied medicine and psychology before becoming a professor of psychology and philosophy. After moving to the United States in 1922, he specialized in industrial psychology, with his main contributions stemming from workplace behavior studies at Western Electric. Elton Mayo examined the material working conditions (lighting, heating, noise, etc.) and their impact on productivity at Western Electric through a series of experiments.

The **first series of experiments (1924–1927)** investigated the impact of lighting on productivity. While the initial hypothesis assumed a direct correlation between better lighting and higher output, results revealed that productivity increased in both the experimental and control groups, even when lighting intensity was reduced. This unexpected outcome led to the identification of the Hawthorne Effect, which highlights how individuals modify their behavior when they know they are being observed.

The **second series of experiments (1927–1933)** examined the effects of fatigue and working conditions on productivity through tests with a group of five female workers. Changes such as higher wages, extended breaks, and longer rest periods initially boosted performance, but even when wages were reduced, productivity continued to rise. Follow-up interviews showed that the decisive factor was not material conditions but rather social dynamics within the group. Workers were strongly influenced by their sense of belonging, social interactions, and cooperative relationships, underscoring the importance of informal groups and human relations in organizational life.

Elton Mayo's research, particularly through the Hawthorne Studies (1924–1933), played a crucial role in shaping modern management by emphasizing the human and social aspects of work. His findings laid the foundation for the Human Relations Movement, challenging the rigid, mechanistic views of classical management theories. Mayo's principles can be summarized as follows: (Mayo, 1933)

- **The Importance of Social Relations in the Workplace**: Mayo demonstrated that informal social interactions among workers significantly influence productivity. Employees are motivated not only by financial incentives but also by their sense of belonging and recognition within a group.
- **Psychological and Emotional Factors**: Mayo's research highlighted that workers' attitudes, morale, and well-being directly impact their performance. Supportive and inclusive organizational environments lead to higher productivity levels.
- **The Hawthorne Effect**: Mayo observed that productivity improved when workers felt observed and valued. This effect suggests that managerial attention and engagement enhance employee performance, regardless of material working conditions.
- **The Need for Participatory Management**: Mayo emphasized the importance of involving employees in decision-making. Participation in discussions about tasks and organizational decisions increases job satisfaction and reduces resistance to change .
- **The Role of Leadership and Communication**: Effective leadership requires understanding employees' needs and promoting open communication. Mayo advocated for a democratic and empathetic management style, where managers act as facilitators rather than authoritarian supervisors.

Elton Mayo's principles shifted management thought from a purely task-oriented approach to a people-centered perspective. His work laid the groundwork for modern organizational behavior, emphasizing that employee satisfaction, motivation, and social interactions are as critical as efficiency and structure in driving organizational success.

Mayo concluded that material factors do not primarily determine productivity; rather, psychosocial elements play a crucial role:

- A positive social environment: Good interpersonal relationships and group cohesion
- Group acceptance of work: A shared understanding and commitment to the task
- Good relationships with supervisors: Effective communication and supportive leadership

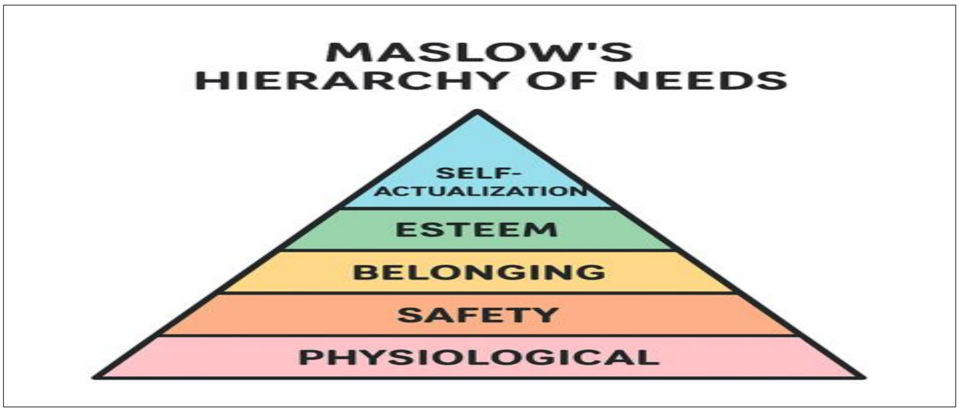
- Non-economic rewards: Job recognition, work satisfaction, and the appreciation of a job well done

One of Mayo's key conclusions was that the amount of work completed by an individual is not dictated by physical capacity but by social capacity—namely, their integration within a group. Employees do not act solely as individuals but as members of a social unit. Beyond the formal organization, an informal organization exists, driven by emotions, relationships, and a sense of belonging.

2.2. Maslow and the Hierarchy of Needs

Abraham Maslow (United States, 1908-1970) graduated from the University of Wisconsin. He is the author of two major works: Motivation and Personality and Toward a Psychology of Being, which focus on human motivation factors, particularly in the workplace.

Figure 5 : Maslow's Hierarchy of Needs



Source : (Maslow, 1943)

Maslow proposed that human needs are arranged in a hierarchical order, meaning that higher-level needs emerge only when lower-level needs are satisfied. The five levels are: (Maslow, 1943)

- **Physiological Needs** : These are the basic survival needs required for human life. They include : Food and water, Shelter and clothing, Sleep and rest, Air and warmth.

Example: Organizations ensure employees' physiological needs by providing fair wages, comfortable office conditions, and adequate breaks.

- **Safety Needs** : Once physiological needs are met, individuals seek security and stability. This includes: Job security, Financial stability (salary, benefits, pensions), Safe working conditions, Health insurance and social protection

Example: Companies provide health insurance, stable contracts, and workplace safety regulations to fulfill employees' safety needs.

- **Social Needs (Belongingness and Love Needs)** : Humans are social beings who require relationships and a sense of belonging. This includes: Friendships, Family and intimate relationships, Workplace relationships and teamwork, Sense of community

Example: Organizations encourage teamwork, social events, and a collaborative culture to foster belongingness.

- **Esteem Needs** : Once social needs are fulfilled, people seek recognition and respect. These needs are divided into: Internal esteem: Self-respect, confidence, personal achievement.External esteem: Recognition, awards, job titles, promotions

Example: Employers motivate employees through performance appraisals, promotions, and recognition programs to enhance their esteem.

- **Self-Actualization Needs** : At the highest level, individuals seek personal growth and fulfillment. This includes: Realizing personal potential ,Creativity and problem-solving, Continuous learning and self-improvement, Pursuing passion and purpose

Example: Organizations encourage training, leadership opportunities, and career development to help employees reach self-actualization.

Maslow’s theory has major applications in organizational behavior and human resource management:

- Managers should identify employee needs and provide tailored incentives.
- Motivation is dynamic, meaning employees may shift between different levels.
- Financial incentives alone do not guarantee motivation; factors like workplace culture, career growth, and recognition are equally important.

2.3. The Work of K. Lewin

Kurt Lewin is recognized as the father of modern social psychology due to his pioneering work in group dynamics, organizational change, leadership styles, and behavioral psychology. His theories have significantly influenced management, leadership, and change management strategies.

One of Lewin's most influential contributions is his Three-Step Model of Change, which remains a foundation for modern change management theories.

- Unfreezing : Creating awareness for the need for change by challenging existing behaviors and mindsets.
- Changing (Transitioning) : Implementing new practices, behaviors, or policies.
- Refreezing : Reinforcing and stabilizing the new changes through structures, rewards, and culture.

Lewin examined the influence of leadership on a group based on decision-making processes, task distribution, performance evaluation, and leader involvement. He identified three leadership styles: (Lewin, 1939)

- **Authoritarian Style** : The leader gives strict orders and imposes decisions while maintaining a distant relationship with the group.
- **Permissive Style :** The leader is minimally involved, contributing only the bare minimum, allowing group members to self-manage.
- **Democratic Style** : The leader actively participates in the group, encourages suggestions, fosters discussions, and promotes creativity.

Lewin found that groups led by democratic leaders displayed warm, friendly relationships and continued working even in the leader's absence, demonstrating independence. While their productivity was lower than authoritarian groups, the quality of work was higher. He concluded that participative management (democratic leadership) is more effective than traditional authoritarian methods in achieving high efficiency.

2.4. Works of R. Likert's Work:

Rensis Likert (1903–1981), an American psychologist, is renowned for his contributions to psychometrics and attitude measurement, particularly through the development of the Likert scale. In the field of management, he is often regarded as the intellectual successor to Elton Mayo and Kurt Lewin. His seminal works, *New Patterns of Management* and *The Human Organization*, significantly advanced the study of organizational behavior.

Building upon the foundations laid by Mayo and Lewin, Likert explored how workplace relationships shape performance, even in the absence of structural or technological change. His research emphasized the critical role of superior–subordinate relationships and the integration of personal values into organizational interactions.

Likert argued that organizational effectiveness depends on employees feeling valued and essential. When individuals perceive themselves as unimportant, both morale and performance deteriorate. He therefore advocated replacing competitive dynamics with group-based collaboration across all levels of the organization, thereby fostering cooperation, commitment, and shared responsibility.

Likert identified four management styles: (Likert, 1967)

Figure 6 : Management styles

Style 1: Exploitative-Authoritative : Highly centralized control, no employee involvement.

Style 2: Benevolent-Authoritative : Some consideration for employees, but limited participation.

Style 3: Consultative : Employees provide input, but final decisions rest with management.

Style 4: Participative : Employees are fully engaged in decision-making, fostering a collaborative environment.

Source : Author's elaboration

Likert emphasized that Participative Management leads to higher productivity, better communication, and greater job satisfaction, making it the most effective leadership style. (Likert, 1961)

2.5. Herzberg's Two-Factor Theory

Frederick Herzberg (United States, born 1923) was a psychologist and physician. His work was widely disseminated through an article in the Harvard Business Review in 1968.

Herzberg developed his theory based on a study in Pittsburgh. He argued that job satisfaction and dissatisfaction arise from different factors:

- Hygiene Factors : These reduce job dissatisfaction but do not increase motivation. Addressing them prevents dissatisfaction but does not encourage higher performance.
- Motivational Factors : These enhance job satisfaction and motivate employees to perform better. They are crucial for personal growth and fulfillment in the workplace.

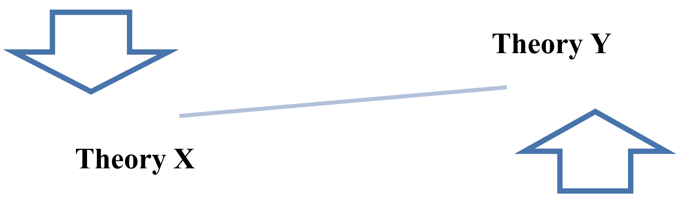
Herzberg concluded that organizations must address both sets of needs (reducing dissatisfaction while fostering motivation) to optimize employee performance.

2.6. Douglas McGregor: Theory X and Theory Y

After managing a fuel distribution firm in Detroit, Douglas McGregor earned a Ph.D. in psychology at Harvard and became a professor of industrial management. He explored leadership roles and authored several books, including The Human Side of Enterprise, Leadership and Motivation, and The Professional Manager.

In The Human Side of Enterprise, McGregor described two contrasting views of subordinates that influence management behavior and motivation strategies:

Figure 7 : Theory X and Theory Y



Source : Author's elaboration

Theory X (Classical School of Management) : Managers perceive employees negatively:

- People naturally dislike work and see it as a burden.

- They must be coerced, controlled, and threatened with sanctions to meet organizational goals.
- They prefer to be directed, avoid responsibility, have little ambition, and seek job security above all.
- McGregor argued that Theory X leads to autocratic management.

Theory Y (Human Relations School) : Managers view employees positively:

- Work can be a source of motivation and personal satisfaction.
- External control and punishment are not the only ways to ensure productivity; employees can self-direct and self-control.
- People are capable of creativity and responsibility.
- Under Theory Y, managers adopt a democratic approach to leadership.

2.7. Critical Study of the Human Relations School

The Human Relations School has been criticized for its simplistic view of organizational problems, reducing them to individual psychological issues. Improving workplace relationships alone is neither a sufficient nor necessary condition for increased productivity.

Morin argued that this school overlooked the role of power dynamics in organizations. While hierarchy presents it as an ideal model, mid-level managers hesitate to intervene, fearing that conflicts with subordinates might harm productivity. However, without real authority, managers risk maintaining good relationships at the expense of efficiency.

The best approach is a balanced exchange of good relationships for satisfactory productivity. However, making this transaction too explicit could lead back to Theory X management (McGregor), where control and coercion dominate.

The Human Relations Approach shifted the focus of organizational theory from structure and efficiency to the human dimension of work. By emphasizing motivation, communication, and social interactions, it demonstrated that productivity depends not only on formal rules and technical factors but also on employee satisfaction and group dynamics. Despite its limitations, this approach laid the foundation for modern human resource management and remains a key reference in understanding the role of people in organizational success.

Section 03 : The Systems Approach to Organisations and the contingency school

The study of organisations evolved beyond classical and human relations theories to embrace more dynamic perspectives. The systems approach views the organisation as an interconnected set of elements (people, processes, and structures) working together within a wider environment. It emphasizes interdependence, feedback, and adaptability. In parallel, the contingency school argues that there is no single best way to manage; effective management depends on situational factors such as environment, technology, and structure.

3.1. Core Components of a System

- **Input** : The tangible and intangible assets brought into the system, including physical materials, financial capital, human talent, and data or information.
- **Process** : The techniques and approaches applied to transform inputs into valuable outcomes, such as managerial strategies and technological operations.
- **Output** : The diverse results produced by the system, which may encompass goods and services, financial gains or losses, employee attitudes, and overall productivity.
- **Feedback** : Mechanisms that provide insights and evaluations to refine and enhance the system continuously.

3.2. Key Principles of the Systems Approach

The systems approach, based on Bertalanffy's general systems theory (1968), views organisations as open and dynamic systems of interdependent parts working toward common goals. It highlights the need to analyse both internal components and their interactions with the external environment to fully understand organisational functioning.

3.1.1. Open vs Closed Systems

(Bertalanffy, 1968) distinguished between open and closed systems. A closed system is isolated from its environment and relies entirely on internal resources. In contrast, an open system constantly interacts with its environment, exchanging inputs (resources, information, energy) and outputs (products, services, waste, feedback). Modern organisations are open systems by nature; they depend on environmental inputs and must adapt to external changes to survive and grow.

3.1.2. Efficiency vs Effectiveness

In closed systems, internal efficiency is the primary concern. However, in open systems, effectiveness becomes equally important. It refers to an organisation's ability to respond to external needs and produce outputs that are valued by the environment (Daft L. , 2021) .Thus, modern organisations are judged not only by internal performance but by their societal impact and responsiveness.

3.1.3. Entropy

Entropy refers to a system's natural tendency toward disorder and disintegration. For organisations, entropy manifests as declining performance, resistance to change, or eventual failure. To combat entropy, organisations must implement feedback loops and corrective actions to maintain stability and renewal (SCOTT & DAVIS, 2007). Regular evaluations and adaptive strategies are essential to organisational survival.

3.1.4. Subsystems

An organisation comprises various subsystems (e.g., production, marketing, finance, HR), each with a specific function. For the entire system to function optimally, each subsystem must work efficiently and remain in alignment with others (Robben, Coulter, Decenzo, Ne, Gabilliet, & Clement, 2018). Misalignment or dysfunction in one area can negatively affect the organisation as a whole.

3.1.5. Equifinality

The principle of equifinality implies that there are multiple pathways to achieving the same objective. This means organisations can adopt different structures or strategies and still succeed (Katz & Kahn, 1978). Managers, therefore, must remain flexible and open to innovation in order to find the most effective path.

3.1.6. **Synergy**

Synergy means the whole is greater than the sum of its parts. When an organisation coordinates its subsystems efficiently, the resulting performance surpasses what each part could achieve independently. It underlines the value of integration, collaboration, and shared purpose (Daft L. , 2021).

3.3. The Environment and Stakeholders

In the systems framework, the organisation's environment is split into:

- Immediate Environment: Includes direct stakeholders such as customers, suppliers, competitors, and subcontractors. These actors influence resource flows, demand, and strategic decisions.
- General Environment: Consists of broader socio-economic and political factors, including:
- Economic: Inflation, interest rates, subsidies.
- Socio-cultural: Education levels, social values.
- Technological: Innovation and digital transformation.
- Demographic and Legal: Population trends, regulations, and governmental policies.

These environmental factors shape organisational strategy and require continuous monitoring for effective adaptation (Mintzberg, Ahlstrand, & Lampel, 2005)

3.4 The Contingency School of Organisational Theory

The Contingency Approach rejects the idea of a single best organisational structure. Instead, it posits that the optimal organisational design depends on various internal and external factors (Donaldson, 2001)

3.4.1. External Contingency Factors

- **(Burns & Stalker, 1961)**: They classified organisations into:
- Mechanistic Structures: Suitable for stable environments; characterised by rigid hierarchies, formal rules, and centralized decision-making.
- Organic Structures: Adapted to dynamic environments; feature flexibility, decentralisation, and informal communication.
- **(Lawrence & Lorsch, 1967):** They extended this model by arguing that high environmental uncertainty necessitates organisational differentiation and advanced coordination mechanisms. Firms operating in heterogeneous and rapidly changing environments need more flexible, adaptive structures.

3.4.2. Internal Contingency Factors

- **Technology (Woodward, 1965):**Woodward identified that:
  - Unit Production (custom products) supports informal, flexible structures.
  - Mass Production requires formalised procedures.
  - Continuous Process Production (e.g., chemical plants) demands highly automated, structured environments.
- **Size (MINTZBERG, 1979):** Larger organisations tend to be more bureaucratic, with formalised processes and hierarchical levels. Size increases complexity and necessitates coordination mechanisms.
- **Age (Greiner, 1972) :** As organisations grow, they move through developmental phases that require structural adjustments (e.g., from creativity to delegation). Each stage introduces new management challenges.
- **Strategy (Chandler, 1962):** According to Chandler's principle, "structure follows strategy." For example, firms that diversify their product lines must shift from functional to divisional structures to maintain effectiveness.

3.5. The contingency approach Vs systems management

The contingency approach and systems approach represent two complementary yet distinct perspectives in organizational theory. The contingency approach emphasizes the decisive influence of the external environment on organizational structures, leadership styles, and managerial practices. It acknowledges that each organization faces unique circumstances, thereby requiring flexible and situational solutions rather than the rigid, one-size-fits-all application of traditional management principles. By contrast, systems management is primarily concerned with the internal dynamics of organizations, highlighting the interdependence and interactions among subsystems. This perspective tends to treat organizations more uniformly, offering a theoretical framework for understanding how various internal components work together, without necessarily accounting for the specificities of external contexts. While the contingency approach is highly practical, focusing on adaptability and responsiveness to environmental changes, systems management is more conceptual, providing insights into organizational interdependencies. Ultimately, the key distinction lies in the contingency approach's focus on external fit and adaptability versus the systems approach's concentration on internal cohesion and theoretical modeling.

Section 04 : The Decision-Making School of Organisational Theory

The Decision-Making School of organisational theory emphasizes the central role of decision processes in shaping organizational behavior and outcomes. Emerging in the mid-20th century, this perspective views organizations as systems of decisions rather than purely structures or functions. Scholars such as Herbert A. Simon highlighted bounded rationality, arguing that managers make decisions under constraints of limited information and cognitive capacity. This school of thought shifted focus from rigid hierarchies to understanding how choices, problem-solving, and rationality influence organizational performance.

4.1. Models of Absolute and Bounded Rationality

(Simon, 1947) introduced the concept of bounded rationality to explain how decision-makers operate within the constraints of limited information, cognitive capacity, and time. Traditional economic models assume that individuals make decisions rationally by evaluating all available alternatives to maximize utility. Simon challenged this by asserting that real-world decisions are rarely fully rational due to:

- Limited Information Availability: Decision-makers often work with incomplete or imperfect information. Gathering comprehensive data is costly and time-consuming.
- Cognitive Constraints: Human limitations (such as fatigue, stress, and finite processing power) restrict the ability to evaluate every possible option.
- Individual Motivations and Values: Decisions are also shaped by subjective preferences, ethical principles, or strategic priorities. For instance, one manager may prioritize profit while another emphasizes environmental sustainability.

Thus, rather than seeking the optimal solution, individuals settle for a "satisficing" one a decision that meets acceptable criteria without necessarily being the best (Simon, 1957)

"*A satisficing decision is good enough under the constraints faced, rather than the best conceivable*."(Simon, 1957)

4.2. The Behavioural Theory of the Firm

Developed by (Cyert & March, 1963) , this theory explores how organisations make decisions under internal complexity and external uncertainty.

Key features include:

- Conflict Resolution: Organisations are coalitions of stakeholders with divergent goals. Decision-making often involves sequential problem-solving and compromise rather than optimal choices.
- Uncertainty Avoidance: Firms tend to favour short-term decisions that reduce risk rather than engage in complex long-term forecasting.
- Problem-Centric Decision-Making: Decisions arise from specific problems rather than strategic planning. Identifying the true causes of organisational issues is essential.
- Organisational Learning: Firms adapt over time through feedback loops and learning from past decisions. This dynamic perspective contrasts with static models of the firm.

This approach highlights that decisions are influenced by internal politics, routines, and behavioural norms making them less than fully rational but more realistic. (March & Simon, 1958)

4.3. Advantages of the Decision-Making School

- Focus on rationality: This school emphasizes the rational process of problem identification, evaluation of alternatives, and choice, making organizational decisions more systematic and structured (Simon, 1947).
- Integration of behavioral insights: It acknowledges human cognitive limitations and introduces the concept of bounded rationality, reflecting a more realistic view of managerial behavior (March & Simon, 1958).
- Improved decision quality: By providing tools and models such as cost-benefit analysis, satisficing, and decision trees, this approach improves the quality of choices within organizations.
- Flexibility across contexts: The decision-making perspective can be applied to various domains, including strategic planning, resource allocation, and human resource management (Cyert & March, 1963)

4.4. Limitations of the Decision-Making School

- Assumption of rationality: Despite introducing bounded rationality, the school still often assumes managers act rationally, which may not fully capture political, emotional, or cultural influences in organizations (Eisenhardt & Zbaracki, 1992).
- Complexity of real-world decisions: The models can oversimplify reality, ignoring power struggles, organizational politics, and informal networks that shape actual decision-making (Pettigrew, 1973)
- Limited attention to external environment: The theory tends to focus on internal decision processes, sometimes underestimating the impact of external uncertainty and institutional constraints.
- Risk of rigidity: Over-reliance on structured models may reduce managerial creativity and adaptability in dynamic business environments.

The Decision-Making School of Organizational Theory has provided crucial insights into how organizations approach problem-solving and rational choices. Its contributions (particularly the notions of bounded rationality and satisficing) remain foundational in management research and practice. However, its limitations lie in oversimplification and insufficient attention to social, political, and cultural dimensions of organizational life. Overall, it represents an essential step toward understanding organizations as complex systems where decisions are central to performance and adaptability.

Section 05 : Sociological Approach

This French school of thought shifts the focus from structures and systems to actors, power dynamics, and strategic behaviours within organisations (Crozier & Friedberg, 1977). The organisation is viewed as a social construct shaped by interactions among interdependent individuals, each pursuing their own goals.

5.1. Nature of Organisations and Power Relations

Organisations consist of individuals and groups whose cooperation is necessary for collective functioning. However, cooperation is often strategic rather than harmonious. Power arises from the ability to control uncertainty, access information, or manage key resources.

« Organisations are arenas of strategic interaction where actors strive to increase their autonomy and influence. » (Crozier & Friedberg, 1977, p. 33)

A central concept in this theory is the zone of uncertainty, referring to areas within the organisation where rules are ambiguous or information is lacking. Actors who manage to control these zones gain strategic leverage over others. These zones are typically found in decision-making bottlenecks, technical expertise, or inter-departmental coordination.

5.2. Sources and Categories of Power

Actors in organisations can increase their power through:

- Mastery of Scarce or Specialised Competence: When a person controls a rare skill or knowledge (e.g., IT systems, legal expertise), they become indispensable.
- Control of External Interfaces: Individuals who manage relationships with clients, regulators, or partners can influence external perceptions and organisational outcomes.
- Control of Information Flow: Those who regulate what is communicated, and how, influence decision-making and shape narratives.
- Control Over Organisational Rules: Some actors can interpret or bend formal and informal rules to their advantage, enhancing their influence within the system.

These sources of power are strategically mobilised by actors to gain greater autonomy and influence over outcomes.

Unlike economic rationality, strategic rationality is context-dependent and oriented toward power and influence. Actors make decisions not only to solve problems but also to protect or enhance their status, defend turf, or align with alliances. Their behaviour is guided by both rational objectives and political considerations. (Friedberg, 1993)

5.3. The Collective Nature of Action

Despite pursuing individual goals, actors operate in interdependent systems where success depends on coordination with others. Strategies evolve in response to others' behaviours, creating a dynamic of mutual adjustment ; what Crozier calls the "strategic game". Organisational life is, therefore, a continuous negotiation between actors with overlapping yet divergent interests.

The strategic analysis school positions the actor (not the structure) as the central analytical unit. Actors are not passive components within a system but autonomous agents who influence outcomes by controlling resources and shaping uncertainty. This sociological lens reveals how power, negotiation, and micro-politics drive organisational dynamics beyond formal structures or procedures.

Section 06 : Contractual Theories of the Firm

The industrial organization (IO) approach focuses on the firm's position within the economic system, particularly its interaction with markets. It seeks to explain the existence of organisations, their strategic behaviour, and their structural decisions in response to market dynamics. The IO perspective analyzes market structure, firm conduct, and market performance, aiming to understand how firms gain competitive advantages and what shapes industry outcomes. (Tirole, 1988)

6.1. Transaction Cost Theory (TCT)

Originally introduced by Ronald H. Coase in his landmark 1937 article "The Nature of the Firm", Transaction Cost Theory (TCT) explores why firms exist when markets could, in theory, coordinate economic activity. Coase argued that organisations arise when internal governance is more efficient than market exchange, especially in reducing transaction costs ;the costs related to searching for information, negotiating, and enforcing contracts.

« The firm emerges to economize on transaction costs when the market becomes too costly or inefficient. » (Coase, 1937)

Later refined by (Williamson, 1985), TCT introduced the idea that firms are better suited than markets in environments characterized by:

- Asset Specificity: When assets are highly tailored to a specific transaction, switching partners is costly.
- Uncertainty: When future conditions are unpredictable, contracts are harder to enforce, increasing risk.
- Frequency: Repetitive transactions may justify governance mechanisms that reduce long-term costs.

Williamson argued that hierarchical governance (i.e., within a firm) can reduce such costs, though it may introduce organizational (bureaucratic) costs. The decision to internalize or outsource depends on a trade-off between transaction costs and organizational costs.

Key Parameters Influencing the Choice Between Market and Hierarchy:

- Bounded Rationality: Decision-makers have limited cognitive capacity and cannot foresee or process all potential outcomes (Simon, 1957)
- Opportunism: Individuals may act in self-interest with guile, especially under asymmetric information (Williamson, 1985)
- Environmental Complexity: High uncertainty makes market contracts riskier and less efficient.
- Market Structure: A limited number of suppliers or buyers increases bargaining power and reduces flexibility.

Market solutions are preferred when uncertainty and asset specificity are low. Hierarchical (internal) solutions are preferred when asset specificity is high and uncertainty is elevated.

6.2. Agency Theory

Agency Theory, formulated by (Jensen & Meckling, 1976), examines the principal-agent relationship, where one party (the principal, e.g : a shareholder) delegates tasks to another (the agent, e.g., a manager). This delegation creates risks of interest misalignment and information asymmetry.

Main Issues in Agency Relationships:

- Conflict of Interest: Agents may prioritize personal goals over organisational or shareholder objectives.
- Information Asymmetry: Agents often have more information than principals, allowing them to manipulate outcomes or hide inefficiencies.
- These challenges give rise to agency costs, which include:
- Monitoring Costs: Incurred by the principal to observe agent behaviour (e.g., audits, reports).
- Bonding or Incentive Costs: Incurred by the agent to reassure the principal of their alignment (e.g., performance-based pay, bonuses).
- Residual Losses: Costs resulting from the remaining divergence between agent and principal interests even after controls are applied.

Agency theory seeks to minimize these costs through the design of appropriate contracts, incentive systems, and governance mechanisms. For example:

- Performance contracts
- Stock options and variable compensation
- Board oversight and shareholder activism

« An efficient organisation is one in which the sum of agency and transaction costs is minimized. » (Jensen & Meckling, 1976, p. 305)

Contractual theories (particularly Transaction Cost Theory and Agency Theory) provide fundamental insights into how and why firms structure their internal processes and interactions with markets. These theories explain that the optimal organisational form is not universal but contingent upon factors such as environmental uncertainty, asset specificity, and the risk of opportunistic behaviour.

TCT explains when it is more efficient to internalize activities within the firm rather than rely on market transactions.

Agency Theory focuses on how to align the interests of stakeholders when delegation of authority is necessary, using contracts and incentive systems to mitigate conflicts.

Both frameworks offer a contract-based lens to understand firms as governance structures, helping scholars and managers navigate complex organisational decisions in both public and private contexts.

This chapter has provided a comprehensive overview of the principal theoretical approaches that have shaped the study of organizations. From the classical school, which emphasized structure, efficiency, and control, to the human resources school, which introduced the central role of human motivation and participation, each perspective reflects the historical and intellectual context in which it emerged. The systems and contingency approaches broadened the analysis by recognizing the dynamic and interdependent nature of organizations, as well as the need to adapt structures and processes to situational variables. Similarly, the decision-making school highlighted the bounded rationality of actors and the centrality of choices in organizational functioning. The sociological perspective provided valuable insights into power relations, informal networks, and the organizational environment, while the contractual theories of the firm introduced an economic lens, framing organizations as nexus of contracts where efficiency depends on minimizing transaction and agency costs.

Overall, these diverse approaches demonstrate that there is no single, universal theory capable of fully explaining the complexity of organizations. Instead, each school contributes specific analytical tools that, when combined, enrich our understanding of how organizations are designed, how they function, and how they evolve. The comparative study of these theories equips students and researchers with a pluralistic perspective, enabling them to critically analyze organizational phenomena and to apply the most relevant framework according to the context under study.

CHAPTER 3 :

THE FUNCTIONS OF THE ORGANISATION

An organisation is a complex, goal-oriented system composed of individuals and tangible/intangible resources, structured through division of labour and coordination mechanisms. To operate effectively, every organisation performs a set of fundamental functions. These functions are dynamic ; they adapt to the type (public, private, for-profit or non-profit), size, and context of the organisation. This chapter presents the main organisational functions, their interrelations, and their role in contemporary management.

This chapter explores seven key organisational functions: administration (planning, coordination, control), human resource management (recruitment, development, motivation, retention), financial management (acquisition and allocation of resources), procurement (acquiring goods and services), production (transforming inputs into outputs), marketing and commercial activities (promotion, customer relations, competitiveness), and research and development (innovation and long-term growth). Together, these functions ensure efficiency, adaptability, and sustainable organisational performance.

Chapter plan :

Section 01 : Administrative Function

Section 02 : Human Resource Management Function

Section 03 : Financial Management Function

Section 04: The procurement function

Section 05 : The Production Function

Section 06 : The Commercial and Marketing Function

Section 07 : Research and Development (R&D) Function

Section 01 : Administrative Function

The concept of administration is central to the functioning of any organization. While the terms *management* and *administration* are sometimes used interchangeably, many scholars argue that administration has a broader scope, encompassing policy formulation, strategic orientation, and the establishment of organizational objectives (Koontz & O'Donnell, 1976). Administration can therefore be defined as the process through which resources are coordinated, decisions are made, and activities are directed to achieve predetermined goals in an efficient and effective manner.

1.1. Objectives of the Administrative Function

The administrative function constitutes the backbone of organizational life, as it provides the framework through which strategies are translated into effective action. Its objectives can be grouped into several interrelated dimensions: (Barnard, 1938) (Fayol, 1949)

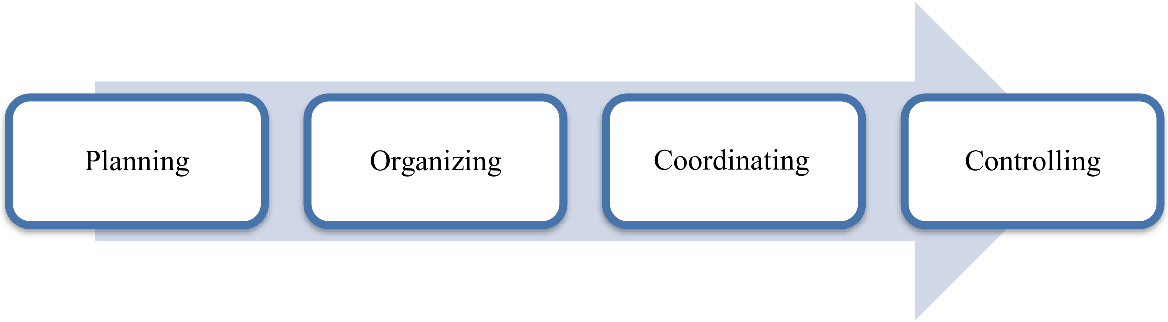
- **Alignment with External Environment:** Administration aligns internal structures with external opportunities and constraints (competition, regulations, technology) to enhance survival and competitiveness.
- **Efficient Resource Utilization:** Ensures optimal use of human, financial, and material resources, minimizing waste and maximizing value.
- **Goal Orientation:** Defines objectives, integrates individual efforts, and provides strategic direction toward shared goals.
- **Balance of Stability and Adaptability:** Maintains order through rules and procedures while promoting flexibility and learning in dynamic environments.
- **Coordination of Activities:** Harmonizes efforts across units to prevent conflict and duplication, ensuring unity of purpose.
- **Accountability and Control:** Establishes mechanisms for responsibility, performance measurement, and corrective actions.

The objectives of the administrative function go beyond mere technical tasks; they involve aligning organizations with their environments, ensuring efficiency, coordinating activities, and balancing continuity with adaptability. These objectives collectively contribute to the sustainability, legitimacy, and effectiveness of organizational systems.

1.2. Core Elements of Administration

(Fayol, 1916) described the administrative or managerial function as central in classical organisational thought. It includes:

Figure 8 : managerial function



Source : Author's elaboration

1.2.1. Planning: Anticipating future needs and planning accordingly.Planning structures action through time by:

- Forecasting future requirements,
- Allocating resources correctly,
- Establishing strategic, tactical, and operational plans.
- High-performing organisations blend analytical rigour with managerial intuition, avoiding pitfalls of overly rigid planning.

1.2.2 .Organising : Structuring human and material resources. This function structures work by:

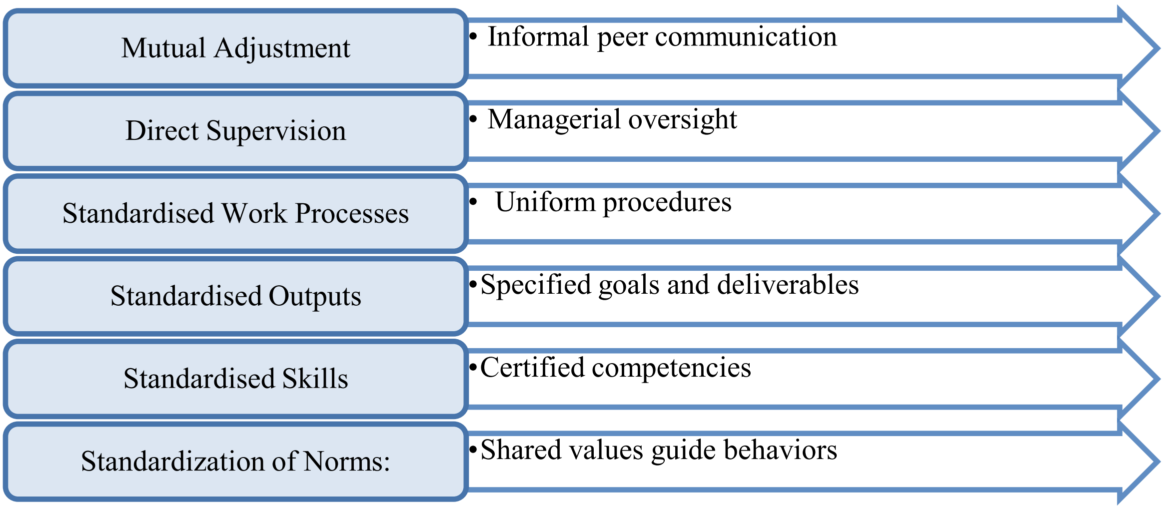
- Dividing labour,
- Grouping related tasks into departments or teams,
- Defining roles and responsibilities,
- Establishing rules and coordination procedures.

Weber's bureaucratic model remains a reference, though modern firms often opt for hybrid structures such as matrix or networked models to enhance flexibility. (Weber, 1922)

1.2.3. Leading/Directing : leading involves motivating employees, creating enthusiasm, and fostering commitment to the mission and vision of the organization. Motivation can be intrinsic or extrinsic, relying on rewards, incentives, and performance-based compensation. Effective leaders understand the interplay between these motivational drivers and adopt strategies that address the diverse needs of their workforce. (Maslow, 1943)

1.2.4. Coordinating : Ensuring harmony across departments. Coordination aligns diverse organisational activities. (MINTZBERG, 1979) identified five coordination mechanisms:

Figure 9 : Coordination mechanisms



Source : adapted from (MINTZBERG, 1979)

Effective coordination can be enhanced through horizontal or vertical flows, and by integrating collaborative digital platforms.

1.2.5. Controlling : ensures that performance is consistent with objectives by monitoring outcomes and correcting deviations. Although Fayol's framework is rooted in the early 20th century, his ideas continue to serve as the foundation for modern administrative practices (Wren & Bedeian, 2009)

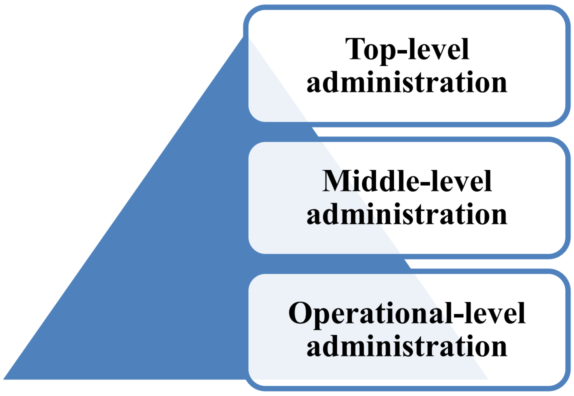
1.3. Levels of the Administrative Function

Administration operates at different hierarchical levels within organizations:

- **Top-level administration** focuses on policy-making, defining strategic objectives, and ensuring long-term sustainability.
- **Middle-level administration** is responsible for translating strategic decisions into concrete programs and coordinating across departments.

- **Operational-level administration** ensures the execution of day-to-day activities, monitoring compliance, and supervising employees.

Figure 10 : Levels of the Administrative Function



Source : Author's elaboration

This multi-level perspective illustrates how administration provides both direction and integration, bridging the gap between strategic goals and operational outcomes.

1.4. Importance of the Administrative Function

The administrative function is not merely a technical process but a cornerstone of organizational existence. Its importance lies in the way it sustains efficiency, legitimacy, and adaptability, thereby ensuring the long-term survival and success of organizations. The key aspects of its importance can be summarized as follows: (Fayol, 1949) (Gulick, 2004)

- **Coherence and Stability:** Administration establishes structures and authority systems to ensure order and predictability.
- **Strategy into Action:** Translates strategic decisions into coordinated, concrete actions across the organization.
- **Efficiency and Performance:** Optimizes resource use, reduces duplication, enhances productivity, communication, and collaboration.
- **Adaptability:** Enables resilience and adjustment to regulatory, technological, and competitive changes while maintaining internal consistency.

- **Legitimacy and Accountability:** Builds trust through transparency, control mechanisms, and performance evaluation.
- **Human and Social Integration:** Aligns individual efforts with collective goals, strengthening motivation, commitment, and organizational culture.

1.5. Challenges of the Administrative Function

Although the administrative function is essential for ensuring coordination, strategic alignment, and organizational efficiency, it faces several challenges in practice, especially in today's complex and uncertain environments.

One key difficulty is finding the right balance between efficiency and flexibility, since too many rules can create rigidity, while too much flexibility may lead to confusion and lack of control. Another challenge is coordination within complex organizational structures, particularly in decentralized or multinational firms where maintaining coherence and avoiding fragmentation becomes more difficult. Human and cultural factors also play an important role, as effective cooperation depends on trust, shared values, and alignment of objectives among diverse employees. In addition, issues of accountability and ethics are increasingly important, since administrators are expected to ensure transparency and integrity to maintain organizational legitimacy. Finally, decision-making often takes place under constraints such as limited information, time pressure, and cognitive limits, which means that managers frequently make "satisfactory" rather than fully optimal decisions.

Through planning, organizing, directing, coordinating, and controlling, the administrative function ensures that organizations remain efficient, adaptive, and coherent. Understanding its principles and levels is therefore essential for anyone seeking to grasp the dynamics of organizational management.

Section 02 : Human Resource Management Function

Human Resource Management (HRM) is a strategic and operational function that deals with all activities related to the acquisition, development, motivation, and retention of people within an organisation. It is a cornerstone of sustainable organisational performance, especially in environments where human capital is a key competitive advantage (Boxall & Purcell, 2016).

2.1. Definition of HR function

The Human Resources (HR) function is a core component of organizational management, responsible for attracting, developing, motivating, and retaining the workforce necessary to achieve strategic objectives. Scholars and practitioners have provided various definitions that highlight its multidimensional role.

HRM refers to the formal systems designed to manage people within an organisation. According to (Armstrong & Taylor, 2020, p. 04) , HRM is "*a strategic and coherent approach to the management of an organisation's most valued assets ; the people working there who individually and collectively contribute to the achievement of its objectives*".

Similarly, (Boxall & Purcell, 2016) emphasize that the HR function deals with "the management of work and people for competitive advantage," underscoring the interplay between human resource practices and organizational performance.

The HR function can be broadly understood as the systematic management of people within organizations, ensuring legal compliance, employee well-being, and alignment with strategic goals. It integrates both operational tasks and strategic contributions.

2.2 Strategic Partner in Organisational Success

In modern organisations, the Human Resource (HR) function has shifted from a purely administrative focus to a strategic role that directly contributes to long-term organisational performance. (Ulrich, 1997) identified four interrelated roles that HR professionals are expected to fulfill, each of which strengthens organisational competitiveness and sustainability:

- **Strategic Partner:** HR aligns human capital with business objectives through workforce planning, talent management, and performance systems.

- **Change Agent:** Facilitates organisational transformation by promoting learning, innovation, adaptability, and managing resistance.
- **Administrative Expert:** Ensures operational efficiency by streamlining HR processes, leveraging digital tools, and enhancing decision-making.
- **Employee Champion:** Advocates for employee well-being, motivation, and career development to strengthen engagement, loyalty, and productivity.

These roles allow HR to act as a strategic partner in organisational success. The HR function thus moves beyond transactional activities to become a driver of competitiveness, agility, and resilience.

2.3. Principal Activities of Human Resource Management

Human Resource Management (HRM) focuses on attracting, developing, motivating, and retaining talent to achieve strategic objectives. A key activity is workforce planning, which forecasts future needs, assesses current capabilities, and develops strategies to address gaps ; ensuring agility and adequate staffing in a changing environment.

2.3.1. Recruitment and selection : Attracting and selecting the right talent is one of the most visible tasks of HRM. Effective recruitment requires clarity on the job profile, organisational values, and long-term workforce planning.

Recruitment and selection are core HRM activities that focus on attracting qualified candidates and choosing the most suitable individuals to join the organisation. Effective recruitment strategies not only align with organisational values but also enhance employer branding. The selection process typically includes structured interviews, assessments, and reference checks, all aimed at ensuring a good fit between the candidate and the job role. (Boxall & Purcell, 2016)

2.3.2. Training : Once onboarded, employees benefit from training and development initiatives designed to enhance their skills and prepare them for future roles. These activities include job-specific training, leadership development, mentoring, and continuous learning opportunities. According to (Garavan, McCarthy, Lai, & Saunders, 2020) organisations that invest in employee development tend to achieve higher levels of engagement and innovation.

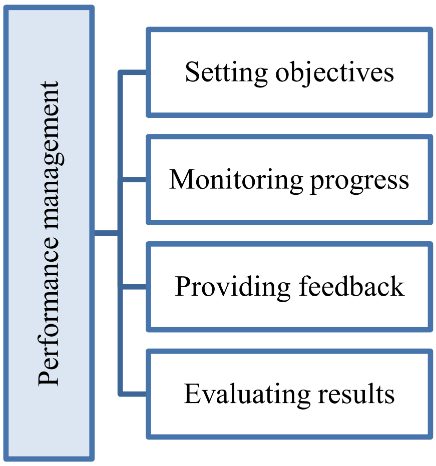
HRM is responsible for equipping employees with the skills and competencies needed to perform and grow. This includes:

- Onboarding for new hires,
- Skills training for current tasks,
- Leadership development for succession planning.

(Garavan, McCarthy, Lai, & Saunders, 2020, p. 215) emphasize the importance of lifelong learning in turbulent environments, highlighting that "organisations must develop dynamic learning cultures to survive and thrive".

2.3.3. Performance management : Another essential HRM activity is performance management, which involves setting individual objectives aligned with organisational goals, regularly evaluating employee performance, and providing constructive feedback. Performance management systems help identify high performers, address underperformance, and inform decisions about promotion, compensation, or training needs. (Aguinis, 2019)

Figure 11 : Performance management



Source : Author's elaboration

Effective systems go beyond appraisal ; they motivate and align individual performance with organisational objectives (Aguinis, 2019). Tools such as 360-degree feedback, key performance indicators (KPIs), and development reviews are common mechanisms.

2.3.4. Compensation and Motivation: Compensation and benefits represent a key area of HRM focused on designing reward systems that are fair, motivating, and competitive. This includes not only salaries and bonuses but also non-monetary benefits such as health insurance, paid leave, and flexible work arrangements. Effective compensation strategies help attract top talent and reduce turnover by satisfying both extrinsic and intrinsic employee needs. (Deci & Ryan, 2000)

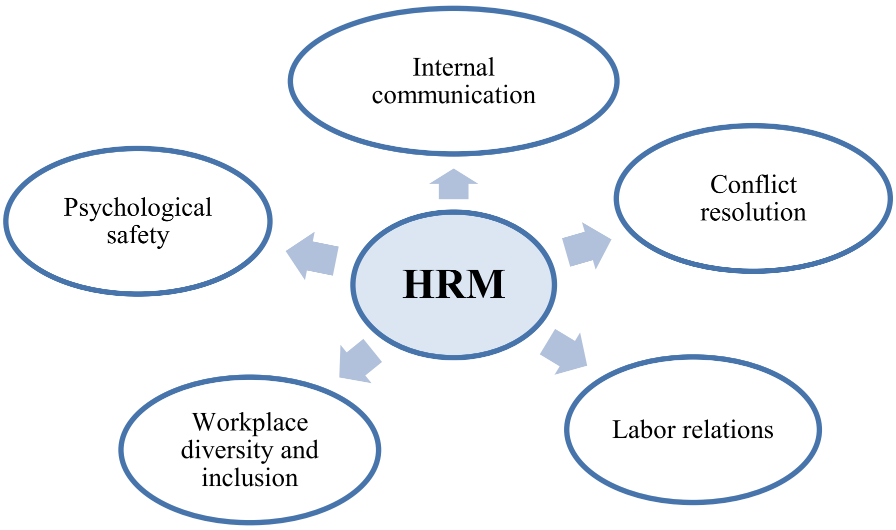
HRM designs and manages compensation systems that reward desired behaviors and support talent retention. These include:

Figure 12 : compensation's components

Source : Author's elaboration

2.3.5. Employee relations and Organisational Climate: HRM also manages employee relations, which encompass communication, conflict resolution, legal compliance, and labour negotiations. Building a healthy work environment requires promoting mutual respect, ensuring psychological safety, and managing grievances effectively. Strong employee relations contribute to higher satisfaction, productivity, and organisational commitment. (Kaufman, 2015)

Figure 13 : Central role of HRM



Source : Author's elaboration

2.4. Challenges and Future Directions

Contemporary HRM faces several challenges:

- Remote and hybrid work models,
- Diversity, Equity, and Inclusion (DEI),
- Mental health and burnout prevention,
- Automation and the future of work.

To remain relevant, HR must be proactive, inclusive, and technologically savvy, fostering a people-centric approach that balances productivity with well-being.

The Human Resource function has evolved from a traditional administrative role into a strategic driver of organisational performance. By aligning people management with business objectives, HR contributes to competitiveness, adaptability, and sustainability. It ensures that employees are not only efficiently managed but also motivated, developed, and engaged as key assets of the organisation. Ultimately, HR serves as both a support system and a strategic partner, making it indispensable to long-term organisational success.

Section 03 : Financial Management Function

The financial management function ensures organizational survival, growth, and sustainability by planning, acquiring, allocating, and controlling financial resources. Its primary goal is to maximize firm value for stakeholders through sound financial decisions under risk and uncertainty.

3.1. Definition of Financial Management

Financial management refers to the process of planning, organizing, directing, and controlling an organization's financial resources to achieve its strategic and operational goals. It involves decisions related to investment, financing, dividends, and working capital to ensure long-term profitability and sustainability (Brealey, Myers, & Allen, 2020). Essentially, financial management seeks to maximize shareholder wealth while balancing risk and return under conditions of uncertainty.

3.2. Objectives of Financial Management

The primary objectives of financial management include:

- Wealth Maximization: Ensuring that the value of the organization grows in the long term for shareholders and stakeholders.
- Profit Maximization: Maintaining sufficient levels of profitability to sustain operations and fund future investments.
- Liquidity Maintenance: Ensuring that the organization has enough cash and liquid assets to meet short-term obligations.
- Risk Management: Identifying, analyzing, and mitigating financial risks related to markets, credit, and operations.
- Optimal Resource Allocation: Allocating capital efficiently across projects and departments for maximum returns.
- Sustainability and CSR Goals: Integrating financial decisions with Environmental, Social, and Governance (ESG) considerations.

3.3. Importance of Financial Management

Financial management is vital because it:

- **Survival and Growth:** Prevents insolvency and supports long-term expansion through financial planning and control.
- **Strategic Support:** Provides the financial basis for investment, diversification, and internationalization.
- **Operational Continuity:** Manages working capital to avoid liquidity crises.
- **Competitiveness:** Enhances innovation and competitive advantage through optimal financing and investment.
- **Compliance:** Ensures adherence to financial regulations and standards, reducing legal and reputational risks.
- **Stakeholder Confidence:** Builds trust among investors, employees, and customers through transparent financial practices. (Organisation for Economic Co-operation and Development (OECD, 2019)

3.4. Challenges of Financial Management

Financial management is challenged by :

- Market volatility, with fluctuations in exchange rates, interest rates, and commodity prices increasing risks.
- Economic uncertainty and crises such as COVID-19 further complicate financial planning.
- Balancing liquidity and profitability remains a persistent issue for managers.
- Technological transformation, including AI and fintech, requires significant investment.
- Regulatory pressures create administrative burdens and compliance challenges.
- Stakeholders increasingly demand ethical and sustainable financial practices.
- Global competition exposes organizations to intensified pressures and higher risks.

In summary, the financial management function is multifaceted and strategic. It supports both the day-to-day functioning and the long-term direction of the organization. Through a combination of financial planning, control, investment analysis, and risk management, this function ensures that resources are used effectively to drive sustainable value creation in an ever-changing economic landscape.

Section 04: The Procurement Function

The procurement function is a cornerstone of organizational operations, ensuring that the right resources are acquired at the right time, cost, and quality. Far from being a simple purchasing activity, procurement has evolved into a strategic process that supports efficiency, innovation, and sustainability. By managing supplier relationships and aligning sourcing decisions with organizational objectives, procurement plays a vital role in enhancing competitiveness and long-term performance.

4.1. Definition of the Procurement Function

The procurement function plays a critical role in ensuring that an organization has timely access to the resources necessary for production, service delivery, or administrative operations. It is not limited to the mechanical act of buying; rather, it represents a strategic process that shapes long-term organizational performance. According to (Monczka, Handfield, & Giunipero, 2020), procurement contributes to cost control, quality assurance, innovation, and sustainability.

According to (Monczka, Handfield, & Giunipero, 2020) , procurement is not merely the act of buying but a strategic function that directly influences cost efficiency, quality assurance, innovation, and long-term organizational performance. Similarly, (Lysons & Farrington, 2016)define procurement as "the process of obtaining goods and services in the right quality, quantity, time, and place, from the right source, and at the right cost."

The procurement function refers to the systematic process of acquiring goods, services, and works from external sources in order to meet the operational and strategic needs of an organization. It encompasses a wide range of activities, including the identification of requirements, supplier selection, contract negotiation, purchasing, logistics, inventory control, and supplier relationship management.

4.2. Main Activities of the Procurement Function

The procurement function can be broken down into several interconnected activities, each of which contributes to operational efficiency and strategic alignment:

- **Needs Identification**: Determining what goods or services are required, based on operational plans and forecasts.

- **Market and Supplier Analysis**: Assessing potential suppliers, market conditions, and pricing structures to identify suitable sourcing options.
- **Supplier Selection and Negotiation**: Choosing suppliers based on criteria such as quality, cost, reliability, and sustainability, while negotiating favorable terms and conditions.
- **Purchase Order Management**: Preparing and issuing purchase orders, ensuring accuracy and compliance with organizational policies.
- **Logistics and Delivery Coordination**: Managing the transportation, delivery, and receipt of goods to guarantee timeliness and reduce disruptions.
- **Inventory and Stock Control**: Monitoring stock levels to avoid shortages or excess inventory, optimizing storage costs and resource availability.
- **Supplier Evaluation and Relationship Management**: Continuously assessing supplier performance, ensuring compliance with contractual obligations, and developing long-term partnerships.

4.3. Strategic Importance of Procurement

Procurement today is more than the simple act of purchasing; it is a strategic function that directly influences an organization's competitiveness, sustainability, and resilience. By aligning purchasing decisions with business objectives, procurement creates long-term value, drives innovation, and helps organizations adapt to the challenges of global markets.

- **Alignment with Business Strategy**: Procurement ensures that all purchasing decisions are consistent with the organization's overall goals. This helps the company stay focused, achieve long-term objectives, and build stability over time.
- **Balance of Cost, Quality, and Risk**: Procurement is not only about choosing the cheapest option. It aims to get the best value by considering cost, product quality, and possible risks such as delays or failures.
- **Driver of Innovation**: Procurement works closely with suppliers to develop new ideas, products, and processes. This collaboration helps organizations improve and adapt more quickly to changes.
- **Corporate Social Responsibility (CSR)**: Procurement takes into account ethical and environmental standards when selecting suppliers. This supports responsible practices such as fair labor conditions and environmental protection.

- **Risk Mitigation in Global Supply Chains** : Procurement helps reduce risks like price changes, delivery problems, or political instability. It does this by working with multiple suppliers and using clear contracts and monitoring systems.
- **Source of Competitive Advantage** : Procurement contributes to making the organization more efficient, innovative, and sustainable. This improves overall performance and strengthens its position in the market.

In the era of globalization, procurement is essential in mitigating risks associated with geopolitical uncertainty, fluctuating commodity prices, and global supply chain disruptions.

4.4. Challenges of the Procurement Function

While procurement provides organizations with major strategic advantages, it is also confronted with complex challenges that span financial, operational, ethical, and legal dimensions. Market volatility and supply chain disruptions demand strong risk management, while overreliance on suppliers can create serious vulnerabilities. At the same time, ensuring quality, sustainability, and ethical compliance has become a critical responsibility. The rise of digitalization offers efficiency gains but requires significant investment and skilled adoption. Moreover, procurement must carefully balance cost reduction with long-term value creation. When addressed strategically, these challenges can transform procurement into a driver of resilience and competitiveness.

The procurement function is far more than a back-office activity. It is a strategic driver of organizational performance, efficiency, and competitiveness. Through effective management of supplier relationships, cost structures, and ethical considerations, procurement supports both short-term operational needs and long-term organizational goals. However, challenges such as market volatility, supply chain risks, sustainability concerns, and technological change require procurement professionals to adopt a proactive, strategic, and adaptive approach.

Section 05 : The Production Function

The production function is a fundamental pillar of organizational functioning, particularly in manufacturing, industrial, and service-based enterprises. It encompasses all the activities involved in transforming inputs (raw materials, labor, capital, and information) into outputs (goods and services) that meet customer demands. From an economic and managerial standpoint, the production function represents both a technical relationship between input and output and a set of organizational processes that aim to achieve efficiency, quality, and continuous improvement. (Heizer, Render, & Munson, 2020)

5.1. Objectives of the Production Function

The primary objective of the production function is to produce the right quantity of quality goods or services at the lowest possible cost and at the right time. It is not limited to physical manufacturing but extends to service organizations such as hospitals, banks, or universities, where "production" may involve delivering patient care, financial services, or education. According to (Stevenson, 2021), the function must also contribute to value creation for the customer and support the organization's strategic positioning in the market.

5.2. Key Activities in the Production Function

The production function encompasses several interrelated activities:

- **Process Design & Technology Selection**: Choosing production methods (continuous, batch, job-shop) and integrating automation, robotics, and AI.
- **Capacity Planning**: Determining optimal production capacity to balance cost efficiency and demand satisfaction.
- **Facility Layout & Location**: Deciding plant location and arranging equipment to optimize flow, productivity, and safety.
- **Production Planning & Scheduling**: Using MPS, MRP, and JIT to ensure timely inputs and minimize lead times.
- **Inventory & Supply Chain Management**: Managing raw materials, WIP, and finished goods while coordinating with suppliers for efficiency.
- **Quality Management**: Applying TQM, Six Sigma, and SPC to maintain standards and enhance customer satisfaction.
- **Maintenance & Safety**: Implementing predictive and preventive maintenance to reduce downtime and ensure workplace safety.

5.3. The Importance of the Production Function

- Transforms resources into goods and services that deliver customer value.
- Directly impacts efficiency, cost control, product quality, and competitiveness.

- Supports integration of technologies like automation, AI, and real-time analytics.
- Shapes employment, workplace safety, and organizational culture.
- Encourages lean practices, continuous improvement, and innovation.
- Influences environmental sustainability and corporate social responsibility (CSR).
- Goes beyond manufacturing to create value and align with strategic, economic, and social goals.

The production function is not merely about manufacturing ; it is about creating value, ensuring efficiency, supporting innovation, and aligning the organization with its strategic, economic, and social mission.

5.5. Challenges in Production Management

Today's production managers face numerous challenges, including:

- Global supply chain disruptions (e.g., post-COVID or geopolitical conflicts)
- Labor shortages and skill gaps
- Technology integration (e.g., Industry 4.0, IoT, AI)
- Demand volatility and mass customization
- Compliance with quality and environmental standards

The production function is not merely an operational task but a dynamic and strategic domain of management. Its efficient execution contributes directly to customer satisfaction, cost leadership, innovation, and long-term sustainability. Organizations that align their production capabilities with market needs and technological opportunities are better positioned to thrive in complex global environments.

Section 06 : The Commercial and Marketing Function

The commercial function, often associated with marketing, plays a vital role in connecting the organization to its external environment : specifically to markets, customers, competitors, and distribution channels. While the term commercial function traditionally refers to sales, client relations, and contract management, the modern view integrates it closely with marketing, which is more strategic and focused on long-term market positioning.

6.1. Definitions of commercial and Marketing function :

The marketing aspect of the commercial function includes market research, segmentation, positioning, product development, branding, pricing strategies, communication, and distribution. According to (Kotler & Keller, 2016), marketing is "the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit." This definition underscores the function's dual purpose: creating value for customers and capturing value for the organization.

The commercial arm, especially sales operations, ensures that this value is effectively delivered and monetized. It involves salesforce management, customer service, negotiation, and contractual execution, aligning marketing plans with tangible transactions (Jobber & Lancaster, 2019)

The commercial and marketing function refers to the set of activities within an organization that are responsible for generating revenue through the identification, attraction, and retention of customers. It encompasses tasks such as market analysis, sales, pricing, communication, distribution, and customer relationship management, ensuring that the organisation's offerings meet market needs and create sustainable value.

6.2. The Importance of the Commercial and Marketing Function

The commercial and marketing function is of critical importance to the survival and growth of any organization. (Kotler & Keller, 2016) (Chaffey & Ellis-Chadwick, 2019)

- **Revenue generation** : Ensures financial viability by attracting and retaining customers.
- **Interface role** : Connects the organisation with its environment and customer needs.

- **Value creation** : Delivers superior value through adapted offerings and strategies.

- **Strategic contribution** : Strengthens positioning, differentiation, and brand development.

- **Digital transformation** : Enables data-driven and agile market responses.

- **Customer loyalty and experience** : Builds long-term growth and innovation.

- **Risk of absence** : Leads to loss of relevance, stagnation, and unmet expectations.

The commercial and marketing function plays a central role in shaping competitive advantage through effective branding, enhanced customer experience, and the creation of perceived value. (Porter M. , 1985)

6.3. The process of Market Study

A market study is a structured process through which organizations gather and analyse information about their target market, competitors, and environment. It offers critical insights that guide decision-making, product development, and strategic positioning. The main steps can be summarised as follows:

Figure 14 : The process of Market Study

Source : Author's elaboration

The market study process provides organisations with a structured approach to understanding objectives to data collection, analysis, and decision-making, it transforms raw information into actionable insights. Ultimately, a well-conducted market study reduces uncertainty, supports strategic choices, and enhances organisational competitiveness.

Table 6 : The process of Market Study

Step	Description	Key Elements
1. ***Defining the Objective***	Identifying the purpose and scope of the study	Goals, hypotheses, alignment with strategy
2. ***Designing the Research Plan***	Structuring the methodology and sampling strategy	Qualitative/quantitative methods, sampling
3. ***Data Collection***	Gathering primary and secondary data	Surveys, interviews, reports, databases
4. ***Data Analysis***	Processing and interpreting collected information	Statistical tools, SWOT, regression analysis
5. ***Interpretation and Reporting***	Presenting findings in a clear, actionable format	Recommendations, charts, tables, reports
6. ***Decision-Making & Implementation***	Applying insights to organisational strategies and actions	Marketing mix, product launch, market entry

Source : Adapted from (Kotler & Keller, 2016) (Malhotra & Birks, 2017)

6.4. The Importance of Market Study

The main objective of a market study is to reduce uncertainty in decision-making by providing organisations with reliable insights into customer needs, market dynamics, and competitive forces, thereby supporting effective strategies for growth and competitiveness. (Kotler & Keller, 2016)

- **Strategic role**: Market study is essential for understanding conditions, customer preferences, and competitive forces.
- **Systematic process**: Involves collecting, analysing, and interpreting data on market size, trends, segments, and consumer behaviour.
- **Objective**: Reduces uncertainty by providing evidence-based insights for product, pricing, promotion, and distribution strategies.
- **Anticipation**: Helps companies predict market changes, adapt offerings, and identify growth opportunities
- **Customer insights**: Assesses satisfaction, brand perception, and campaign effectiveness.
- **Digital tools**: Uses analytics and real-time data for agile and informed decisions
- **Outcome**: Enhances organisational responsiveness and aligns strategies with market demand and stakeholder expectations.

6.5. Interactions with Other Functions

The commercial function does not operate in isolation; rather, it is deeply interdependent with other organizational functions such as production, finance, and human resources. (Armstrong & Taylor, 2020) (Kotler & Keller, 2016) (Porter M. , 1985)

- The effectiveness of the commercial function depends on continuous cross-departmental coordination. Sales forecasts guide production planning, ensuring organisations meet demand while avoiding costly underproduction or overproduction.
- Commercial activities are interdependent with financial management, as campaigns, pricing, and promotions require budget alignment and profitability analysis. Misalignment risks wasted resources and unprofitable strategies.
- Human resources are crucial to the commercial function, as staff training, motivation, and incentives directly shape customer service quality. Engaged and skilled front-line employees embody the brand and drive customer satisfaction and loyalty.
- Commercial effectiveness depends on collaboration with communication and IT teams to ensure consistency between promises made to customers and actual delivery. Misalignment can create gaps between expectations and performance, harming trust, brand reputation, and long-term growth.

6.6. Challenges and Trends

In today's dynamic business environment, the commercial function faces multiple challenges: hyper-competition, customer empowerment, shorter product life cycles, and increased regulatory scrutiny. To remain effective, marketing and sales must become more agile, customer-centric, and ethically responsible. There is a growing emphasis on sustainable marketing, where organizations are expected to not only meet customer needs but also promote environmental and social values. (Kotler, Kartajaya, & Setiawan, 2021)

The commercial and marketing function is a strategic pillar of any organization. It ensures that the value created internally is aligned with market needs and effectively captured through customer transactions. By integrating strategic marketing with operational sales and customer service, organizations can enhance market relevance, customer loyalty, and financial performance. In the face of global competition and digital disruption, the capacity of this function to adapt and innovate remains a key determinant of organizational success.

Section 07 : Research and Development (R&D) Function

The Research and Development (R&D) function plays a central role in fostering innovation, technological progress, and organizational competitiveness. It is responsible for generating new knowledge, improving existing products and processes, and creating innovative solutions that respond to market demands and future challenges. Beyond driving growth, R&D enhances adaptability, supports strategic decision-making, and strengthens long-term sustainability in an increasingly knowledge-based economy.

7.1. Definition of Research and Development (R&D) Function :

The Research and Development (R&D) function plays a central role in fostering innovation, improving products and services, and ensuring the organisation's long-term competitiveness. It encompasses the systematic investigation, experimentation, and application of new knowledge to develop novel solutions or enhance existing offerings (OECD, 2015) In a rapidly changing global economy, R&D enables organisations to adapt to technological advancements, evolving customer preferences, and competitive pressures.

From a strategic perspective, the R&D function bridges the gap between scientific discovery and commercial application. It involves activities such as product design, process improvement, prototyping, and testing. According to (Trott, 2021), effective R&D management requires a balance between creativity and discipline, ensuring that innovative ideas are aligned with market needs and organisational capabilities. Furthermore, R&D activities can be classified as either basic research or applied research, which focuses on solving practical problems and developing market-ready innovations. (Kahn, 2018)

R&D is not limited to high-technology sectors; it is relevant across industries, including manufacturing, services, and even public administration.

7.2. Types of R&D Activities

The Research and Development (R&D) function is multifaceted, as it integrates scientific inquiry, technological advancement, and practical application to support organisational competitiveness. According to international standards (OECD, 2015), R&D activities can be broadly classified into three main categories: *basic research, applied research, and experimental development*. Each of these categories reflects a different stage in the knowledge-creation and innovation process, while together they form a continuum that links discovery to practical outcomes.

Table 7 : Types of R&D Activities

Type of R&D	Definition	Key Characteristics
Basic Research	Expands fundamental scientific or technical understanding without immediate commercial objectives (OECD, 2015).	- Knowledge-driven- Long-term focus- Conducted in universities or research institutes
Applied Research	Oriented toward solving specific, practical problems with clear application potential (Kahn, 2018).	- Problem-solving- Direct application- Strong link to industry and markets
Experimental Development	Systematic application of knowledge to create or improve materials, products, or processes.	- Prototyping and testing- Refinement of products/services- Resource-intensive

Source : Adapted from (OECD, 2015) (Kahn, 2018)

7.3. The importance of the R&D function :

The contribution of the R&D function to organisational success is multifaceted. It enhances the value proposition, supports intellectual property development, and strengthens the organisation's market position. Moreover, R&D investments can yield spillover benefits, such as knowledge transfer, partnerships with academic institutions, and broader contributions to industry standards (OECD, 2015).

R&D is not merely a technical process but a strategic activity that influences an organisation's positioning in the market. According to (Trott, 2021), an effective R&D strategy must be aligned with corporate objectives, ensuring that technological developments translate into marketable solutions. This alignment ensures that innovation investments are directed toward high-value opportunities and that they contribute to building sustainable competitive advantages. However, R&D activities also carry risks, including uncertainty of outcomes, high costs, and long development cycles, which require careful planning and evaluation (Trott, 2021)

The R&D function is an essential driver of organisational growth, sustainability, and competitive advantage. By systematically generating and applying new knowledge, organisations can innovate effectively, respond to market dynamics, and secure their long-term relevance.

7.4. Challenges in R&D Management

Despite its strategic importance, the R&D function faces significant challenges:

- High uncertainty: Outcomes are often unpredictable, especially in disruptive innovation.
- Resource intensity: R&D projects require substantial financial and human resources.
- Time lag: The period between research initiation and commercialisation can be lengthy.
- Knowledge protection: Intellectual property management is crucial to safeguard competitive advantage (Smith, 2020)

The R&D function is far more than a technical department ;it is a strategic cornerstone that shapes an organisation's future. By fostering creativity, enabling collaboration, and leveraging emerging technologies, R&D ensures that organisations remain competitive, resilient, and capable of responding to evolving market demands. Effective management of R&D activities requires not only technical expertise but also strategic foresight, resource optimisation, and robust collaboration networks.

In summary, the functions of organisations represent a coordinated set of essential activities that collectively enable entities to achieve their objectives in an efficient, coherent, and sustainable manner. Far from operating in isolation, each function (whether administrative, human resources, financial, procurement, production, marketing and commercial, or research and development) plays a critical role in shaping organisational performance. The administrative function provides direction and control; the human resource function ensures the mobilisation and development of people; the financial function secures and manages vital resources; the procurement and production functions guarantee the continuity of operations; the marketing and commercial function connects the organisation to its environment; while research and development fosters innovation and adaptability.

The interdependence of these functions is central to organisational success. Effective coordination ensures that resources are optimally allocated, processes are streamlined, and the organisation remains responsive to both internal and external challenges. This interconnectedness also highlights the importance of strategic alignment: when functions operate harmoniously, they reinforce one another and contribute to shared goals, whereas a lack of integration can create inefficiencies, duplication, and conflict.

Beyond their operational role, these functions provide a framework for understanding how organisations evolve in dynamic environments. They reveal that organisational success is not merely the result of individual expertise or resources, but of the capacity to integrate diverse functions into a unified system. In this sense, a well-structured organisation leverages its functions as a cohesive mechanism for innovation, competitiveness, and long-term sustainability. Recognising and mastering these functions is therefore essential for managers, scholars, and practitioners who seek to enhance organisational effectiveness in an increasingly complex and competitive world.

CHAPTER 4:

ORGANIZATIONAL STRUCTURES

Organizational structure defines how activities, responsibilities, authority, and communication are distributed and coordinated within an organization. It translates how a company or institution implements its strategy into the concrete organization of work. An appropriate structure is essential to ensure performance, coordination of efforts, and the organization's agility in the face of environmental challenges.

This chapter will examine the phenomenon of organizational structure in two main stages. The first section will present the conceptual framework of organizational structure, providing definitions, key dimensions, and theoretical perspectives that explain its role in organizational functioning. The second section will discuss the different forms of organizational structure, highlighting their characteristics, strengths, and challenges in practice. Through this dual approach, the chapter aims to provide both theoretical insights and practical understanding of how organizations can design and adapt their structures to enhance effectiveness and long-term sustainability.

Chapter plan :

Section 01 : conceptuel framework of Organizational Structure

Section 02 : forms of organisational structure

Section 01 : conceptuel framework of Organizational Structure

As (Mintzberg, 1979) emphasized, structure is a response to the demands of work division and coordination. It also reflects strategic choices, organizational culture, and size.

1.1. Definition of Organizational Structure

(MINTZBERG, 1979, p. 2) defined structure as "*the sum total of the ways in which it divides its labor into distinct tasks and then achieves coordination among them*". In other words, structure formalizes who does what, how, with whom, and under which authority. It governs information flow, hierarchical responsibilities, degrees of autonomy, and internal process efficiency. This definition highlights the division of labor and coordination mechanisms; two essential components of any structured organization.

According to (Daft R. , 2016, p. 12), structure is "*the formal framework by which job tasks are divided, grouped, and coordinated within an organization*" . Structure is thus seen as a formal framework linking human and technical relations toward efficiency.

(Child, 1972, p. 2) described structure as "*the set of formal allocations used to divide, coordinate, and control organizational activities*". This highlights the regulatory function of structure through mechanisms of power and control.

(Hatch, 2018, p. 106) described organizational structure as "*the formal architecture of an organization, including its hierarchical levels, units, roles, and the links between them*" . This architectural and symbolic perspective links structure with organizational culture.

Organizational structure is the formal way an organization is arranged to divide work, assign tasks, and coordinate activities between people and departments. It explains who is responsible for what, how different tasks are grouped, and how communication and authority flow within the organization. In simple terms, it shows how an organization is organized to make work clear, coordinated, and efficient.

1.2.Fundamental Parameters of Structure :

According to Mintzberg, several key parameters influence organizational design:

Figure 15 : Fundamental Parameters of Structure

- **Work specialization**: degree of task division.
- **Formalization**: presence of rules, procedures, and written standards.
- **Centralization/decentralization**: level at which decisions are made.
- **Hierarchical configuration**: number of levels and authority relationships.
- **Coordination mechanisms**: mutual adjustment, direct supervision, etc.

Source : Author's elaboration

These parameters vary depending on organizational type, strategy, size, technology, and environment. (Burns & Stalker, 1961) (Lawrence & Lorsch, 1967)

3.5.Adjustment Mechanisms in the Organization

Coordination is essential for consistency and collective efficiency. (Mintzberg, 1979) identifies six key adjustment mechanisms:

- Mutual Adjustment: Informal, direct communication; ideal for small teams or changing environments.
- Direct Supervision: A supervisor gives instructions and monitors tasks; works well in stable, simple settings.
- Standardization of Work Processes: Tasks are predefined via procedures; typical in bureaucratic settings.
- Standardization of Outputs: Results are predefined; autonomy is granted on how to achieve them.
- Standardization of Skills: Coordination relies on the training individuals have received.
- Standardization of Norms: Shared values guide behaviors; prominent in NGOs and mission-driven organizations.

Section 02 : forms of organisational structure

Organisational structure refers to the formal arrangement of roles, responsibilities, and communication channels within an organisation (Mintzberg, 1979). It defines how tasks are coordinated, who reports to whom, and how information flows across different levels. Choosing an appropriate structure is critical, as it influences efficiency, decision-making, and adaptability to environmental changes. (Daft R. , 2020)

2.1. Functional Structure

- **Definition**: The most traditional form, where the organization is divided according to major functions (production, marketing, finance, HR, etc.).
- **Characteristics**: Specialization by job function, clear hierarchical unit, centralized decision-making.
- **Advantages**: Enhanced technical expertise, simple vertical coordination.
- **Disadvantages**: Poor inter-functional communication, risk of silos.
- **Example**: A manufacturing company structured into departments like production, logistics, and accounting.

2.2. Divisional Structure

- **Definition**: Structured into semi-autonomous divisions based on product, market, or geographical area. Each division has its own functions.
- **Characteristics**: Grouping by finality, decentralized responsibilities, autonomous unit management.
- **Advantages**: Market responsiveness, managerial accountability.
- **Disadvantages**: Function duplication, inter-division conflicts.
- **Example**: A multinational with divisions for appliances, healthcare, and renewable energy.

2.3. Matrix Structure

- **Definition**: A cross-functional structure combining two organizational logics (e.g., functional and project-based).
- **Characteristics**: Dual reporting lines, simultaneous management of functions and projects.

- **Advantages**: Departmental synergy, improved complex project management.
- **Disadvantages**: Authority conflicts, management complexity.
- **Example**: A communication agency operating with project teams for different clients.

2.4. Network Structure

- **Definition**: A decentralized structure connected to a network of partners, subcontractors, subsidiaries, or platforms.
- **Characteristics**: Reduced core organization, outsourced activities, cooperation-based system.
- **Advantages**: High flexibility, lower fixed costs.
- **Disadvantages**: Loss of control over partners, risk of dependency.
- **Example**: A tech startup outsourcing logistics, customer service, and design.

2.5. Project-Based or Adhocracy Structure

- **Definition**: Centered on the execution of temporary projects, often with multidisciplinary teams.
- **Characteristics**: Low hierarchy, dynamic and collaborative, continuous innovation.
- **Advantages**: High adaptability, innovation promotion.
- **Disadvantages**: Structural instability, knowledge retention challenges.
- **Example**: Design firms, architecture agencies, or game studios.

Table 8 : Mechanistic Vs. Organic Structures

Mechanistic Structure	Organic Structure
Strict hierarchy	Flexible hierarchy
Formal rules	Informal relationships
Centralized	Decentralized
Suited for stable environments	Suited for dynamic environments

Source : Author's elaboration

Table 9 : Comparative Summary of Structural Forms

Structure Type	Centralization	Flexibility	Complexity	Best Suited For
Functional	High	Low	Low	Stable organizations
Divisional	Medium	Medium	Medium	Multi-sector groups
Matrix	Variable	Medium-High	High	Complex projects
Network	Low	Very High	Medium	SMEs, startups
Project/Adhocracy	Low	Very High	Medium	Innovation and creativity

Source : Author's elaboration

Table 10 : Key Determinants of Structure's choice

Factor	Effect on Structure
Organization size	Larger size leads to greater formalization
Strategy	Innovation = flexible structure; Cost-leadership = formal structure
Technology	Routine tech = mechanistic; Complex tech = more autonomy
Environment	Stable = rigid structure; Unstable = organic structure
Organizational culture	Values influence centralization level

Source : Author's elaboration

Organizational structure is more than a hierarchy chart; it reflects strategic choices, culture, constraints, and ambitions. Understanding structural types and logic helps design, adapt, and evolve organizations effectively in a changing world. Managers should view structure as a lever for performance and innovation, not a rigid framework.

CHAPTER 05:

THE DECISION-MAKING PROCESS AND KEY ACTORS

Decision-making is a central component of organizational management. Whether strategic, tactical, or operational, decisions directly influence a company’s direction and performance. The decision-making process is complex, involving several stages and requiring analytical tools to enhance decision effectiveness. This chapter outlines the decision process, decision support tools, and the various actors involved.

The chapter is structured into two main sections. The first section examines the decision-making process, highlighting the stages through which a problem is identified, alternatives are generated, evaluated, and ultimately chosen. Emphasis will be placed on the cyclical and dynamic character of this process, in which feedback and learning play crucial roles. The second section explores decision support tools, with a particular focus on brainstorming as a collective and creative method for generating ideas, encouraging participation, and fostering innovation.

In addition to understanding the process and tools, it is equally important to recognize the role of the actors involved in decision-making. Decisions in organizations are rarely the product of a single individual; rather, they emerge from the interaction of managers, employees, experts, and sometimes external stakeholders. Identifying these actors, their responsibilities, and their influence on outcomes provides a more comprehensive view of how organizations actually make decisions.

Chapter plan :

Section 01 : The Decision-Making Process

Section 02 : Decision Support Tools: Focus on Brainstorming

Section 01 : The Decision-Making Process

Decision-making is a problem-solving process that ends when a satisfactory solution is found. As a result, decision-making can be viewed as an argumentative or emotive process that is rationally or irrationally based on implicit or explicit assumptions.

The process of decision-making is done on the bases of culture, perceptions, belief systems, values, attitudes, personality, knowledge, and the insight of the deciders

1.1. Definition of decision making

According to (Mintzberg, 1973), a decision, whether it's made individually or in a group, can be defined as "*the commitment to an action, that is, an explicit intention to act. The purpose of a decision is to solve a problem that occurs in the organization or the individual."* The fundamental purpose of decision-making is to provide solutions to problems, whether operational, tactical, or strategic in nature.

(Simon, 1957) also described decision-making as a process in which an individual makes a choice among several options in order to provide a satisfactory solution to an identified problem. This notion of choice indicates that "all behaviour implies a choice conscious or unconscious among all materially achievable actions by the actor and by the people over whom he exerts influence or authority" (Mrabet & Benabdejli, pp. 127-128)

1.2. The caracteristics of decision making :

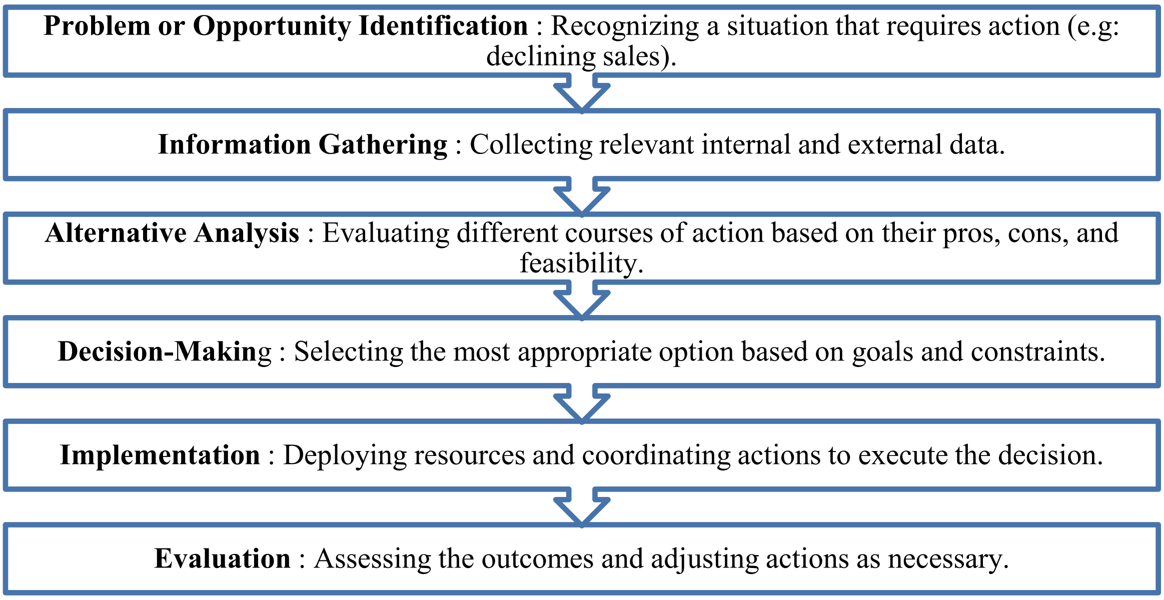
The results of these definitions lead us to say that a decision-making is characterized by:

- The decision is an explicit intention to act.
- Identification of a problem that needs to be solved
- Choosing a solution whether it is conscious or unconscious over one or more alternatives
- The solution chosen must be satisfactory toward a certain goal.
- Process based on criteria
- Finding a satisfactory solution and identified problem
- The decision requires a limited amount of time.

1.3. Key Stages of decision making

Based on classic management literature (Simon, 1960) (Robben, Coulter, Decenzo, Ne, Gabilliet, & Clement, 2018) the process generally follows six key steps:

Figure 16 : Key Stages of decision making



Source : Author's elaboration

This linear process supports rational decision-making but is often adapted in real-world contexts where uncertainty and bounded rationality prevail (Simon, 1960)

1.4. Key Actors in Organizational Decision-Making

1.4.1 Top Management (Primary Decision-Maker) :

Top executives (e.g : CEO) make strategic decisions by setting long-term objectives and allocating resources. Their role involves risk assessment, vision setting, and aligning decisions with organizational goals (Daft R. , 2016)

1.4.2 Advisors and Experts :

Specialists (internal or external) contribute expert knowledge, data analysis, and scenario evaluations to assist decision-makers. Their input is critical in complex environments (Mintzberg, 1979)

1.4.3 Middle Management (Operational Managers) :

Middle managers translate strategic decisions into operational actions, monitor implementation, and manage personnel. They bridge long-term vision and daily operations (Hatch, 2018)

1.4.4 External Stakeholders

External stakeholders such as:

- Customers (guide strategy through expectations),
- Suppliers (affect quality and cost),
- Shareholders (influence financial and strategic priorities),
- Regulatory Bodies (impose legal and ethical constraints) can significantly impact decision outcomes and should be considered in environmental analysis (SWOT, PESTEL) (Burns & Stalker, 1961) (Lawrence & Lorsch, 1967)

Organizational decision-making is a dynamic process involving diverse internal and external actors. Effective decision-making requires coordination across hierarchical levels and the inclusion of stakeholders' perspectives. Strategic alignment, contextual awareness, and structured processes enhance decision quality and organizational performance.

Section 02 : Decision Support Tools

Organizational decision-making requires not only experience and judgment but also the use of systematic tools that enhance clarity, creativity, and effectiveness. Decision support tools serve as practical frameworks that help managers and teams to structure problems, explore alternatives, and select the most appropriate solutions. They reduce complexity, provide analytical rigor, and create conditions for more transparent and participative choices.

2.1. Brainstorming

In organizational decision-making, various tools are employed to enhance the structure and efficiency of the process. Among these, brainstorming, stands out as a widely used creative technique that fosters idea generation and collaborative problem-solving.

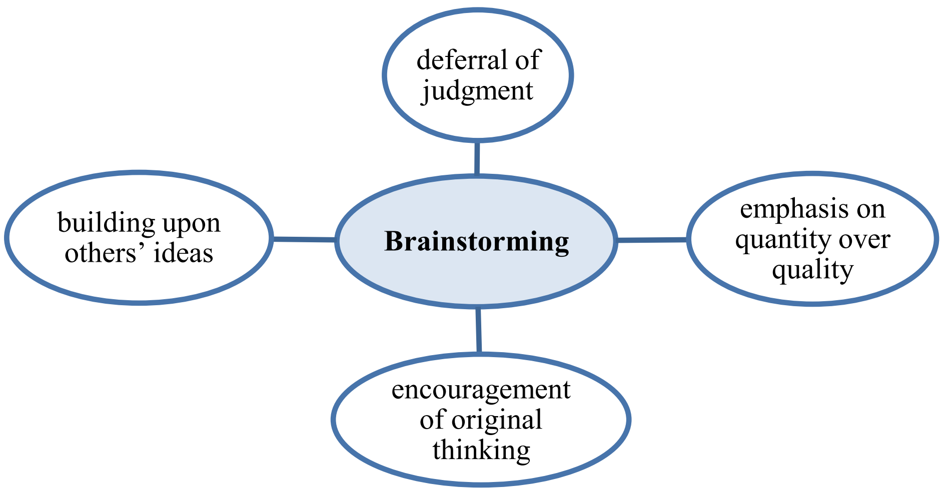
2.1.1. Definition of Brainstorming

Originally conceptualized by (Osborn, 1953), brainstorming aims to facilitate the emergence of numerous ideas in a non-judgmental environment, making it particularly useful for addressing complex or novel challenges.

2.1.2. Principles of Brainstorming

Brainstorming is guided by four key principles: (Osborn, 1953) (Rickards, 1999)

Figure 17 : Principles of Brainstorming



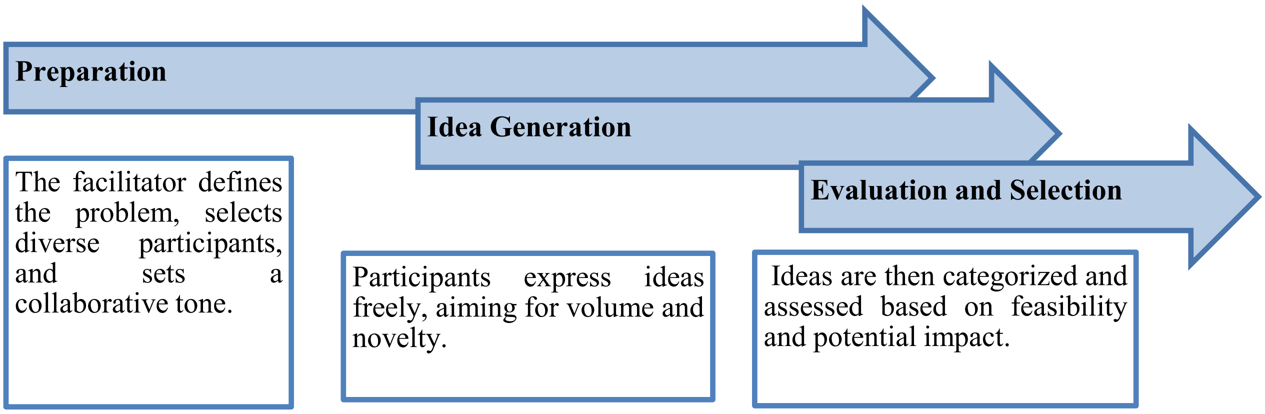
Source : Author's elaboration

These principles create a psychological climate conducive to creativity and group synergy.

2.1.3. Brainstorming process

The typical brainstorming process involves three main phases (VanGundy, 2005) :

Figure 18 : Brainstorming process



Source : Author's elaboration

2.1.4. Applications and Advantages

Brainstorming is frequently used in organizational contexts such as new product development, advertising campaign planning, and solving internal conflicts. Its advantages include enhanced team cohesion, increased participation, and the stimulation of creative solutions that may not emerge through traditional analysis . Moreover, it democratizes the decision-making process by enabling input from all levels of the organization.

2.1.5. Limitations and Critiques

Despite its benefits, brainstorming has limitations. Groupthink, dominance by assertive individuals, and lack of structure can reduce its effectiveness. Furthermore, research suggests that nominal groups (individual idea generation followed by pooling) may produce more ideas than group brainstorming sessions. Effective facilitation and careful group composition are thus critical to mitigate these issues.

Brainstorming remains a valuable decision-support tool when used appropriately. It is particularly effective in the early stages of decision-making where creativity and diverse perspectives are essential. Its success depends on structured facilitation, inclusive participation, and a balance between creativity and practicality.

2.2. The 5 Whys Method in Decision-Making

2.2.1. Definition of The 5 Whys Method :

The 5 Whys method is a simple yet effective problem-solving tool used to identify the root cause of a problem by repeatedly asking the question "Why?", typically five times, until the underlying issue is uncovered (Ohno, 1988).This technique, developed within the Toyota Production System, is particularly valuable in decision-making processes where surface-level solutions may obscure deeper systemic issues.

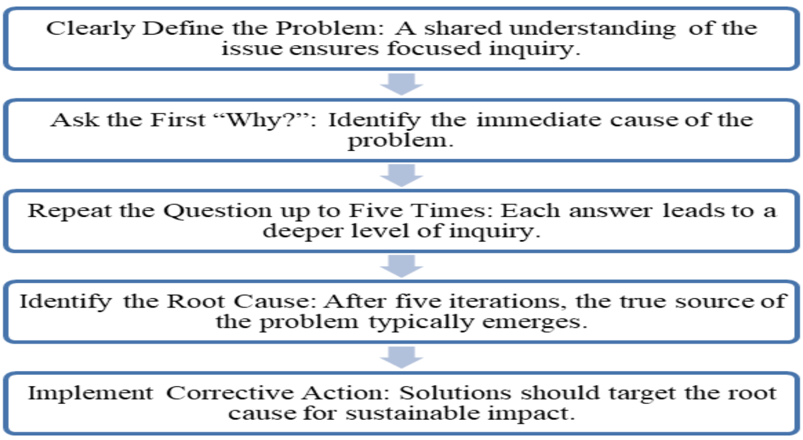
2.2.2. Objectives and Rationale

The main purpose of the 5 Whys technique is to shift the focus from symptomatic fixes to fundamental corrective actions. By probing deeper into the problem, organizations can: (Liker, 2004)

- Uncover root causes rather than treating surface symptoms.
- Make more informed and durable decisions.
- Encourage critical thinking and analytical reasoning.
- Avoid implementing ineffective or short-term solutions

2.2.3. Step-by-Step Application

Figure 19 : Application of The 5 Whys Method



Source : Author's elaboration

Illustrative Example Problem: A machine is malfunctioning.

- Why? It won't start.
- Why? The motor failed.
- Why? It overheated.
- Why? The cooling system failed.
- Why? The coolant valve is defective due to poor maintenance.

Root Cause: Inadequate maintenance schedule. → **Solution**: Establish a preventive maintenance program.

2.2.4. Strategic Value in Decision-Making

In a strategic context, the 5 Whys method ensures that decisions (whether about performance improvement, resource allocation, or structural change) are grounded in a deep understanding of core issues. For instance, if an organization experiences declining employee performance, rather than immediately offering training, the 5 Whys might reveal root causes like unclear goals, poor leadership, or outdated tools (Liker & Meier, 2006)

2.2.5 .Limitations and Considerations

While effective, the method has notable limitations:

- Oversimplification: Not all problems have a linear root cause; complex issues may require additional analytical tools such as cause-effect diagrams or root cause analysis.
- Subjectivity: The answers depend heavily on the participants' perceptions, which may introduce bias (Andersen & Fagerhaug, 2006)
- Lack of Quantitative Support: It may fall short where data-driven validation is essential.

The 5 Whys is a powerful technique that enhances decision quality by fostering a deeper understanding of the underlying causes of organizational problems. When combined with other diagnostic tools, it provides a robust framework for strategic thinking, continuous improvement, and organizational learning. However, its simplicity should be balanced with analytical rigor in complex scenarios.

2.3. The Eisenhower Matrix in Decision-Making

The Eisenhower Matrix ; also referred to as the Urgent/Important Matrix : is a time management and decision-making tool that helps individuals and organizations prioritize tasks effectively. Popularized by Dwight D. Eisenhower, the 34th President of the United States, the model underscores the critical distinction between what is "urgent" and what is "important" (Covey, 1989)

2.3.1. Concept and Structure of the Matrix

The matrix is divided into four quadrants, organized by two axes: urgency and importance. It serves as a decision-making framework for categorizing and acting upon tasks based on their strategic value and immediacy.

Table 11 : Eisenhower Matrix

	Urgent	Not Urgent
Important	Q1: Do Immediately	Q2: Schedule/Plan
Not Important	Q3: Delegate	Q4: Eliminate/Avoid

Source : Author's elaboration adapted by (Covey, 1989)

Quadrant 1 (Important & Urgent): Tasks that require immediate attention due to crisis, deadline, or pressure.

Quadrant 2 (Important but Not Urgent): Strategic activities such as planning, professional development, or innovation—essential for long-term success.

Quadrant 3 (Not Important but Urgent): Interruptions and tasks that appear urgent but contribute little to long-term goals; ideal for delegation.

Quadrant 4 (Not Important & Not Urgent): Distractions or time-wasters that should be minimized or eliminated.

2.3.2. Application in Decision-Making

- Task Prioritization : The matrix helps decision-makers identify what requires immediate attention and what can be delayed, delegated, or discarded. For example:

Q1: Urgent meeting to resolve a client issue.

Q2: Strategic quarterly report preparation.

Q3: Responding to a colleague's non-strategic email.

Q4: Engaging in unproductive social media discussions.

By organizing tasks in this way, individuals can allocate time more effectively and focus on what drives real value.

- Stress Reduction and Productivity Enhancement : By filtering out low-value urgencies and focusing on high-value strategic work (Quadrant 2), the matrix reduces stress and improves long-term productivity (Glei, 2013). For example, a project team facing tight deadlines can prioritize essential deliverables and minimize distractions to meet objectives efficiently.
- Effective Delegation : Quadrant 3 tasks ;urgent but not important—are ideal candidates for delegation. This allows leaders to protect their time for high-impact tasks. Delegation not only optimizes team productivity but also promotes team development by empowering others.

2.3.3. Practical Exercise

To use the matrix effectively:

- List all tasks for the week/day.
- Assess each task:
- Is it urgent?
- Is it important?

Classify each task into one of the four quadrants.

The Eisenhower Matrix is a valuable decision-making framework for managing priorities in both personal and organizational contexts. By clearly separating urgency from importance, it encourages a more thoughtful approach to time management, reduces reactive decision-making, and promotes strategic focus. It supports leaders and teams in maximizing value-added activities while minimizing distractions and inefficiencies.

2.4. The Discovery Matrix in Decision-Making

The Discovery Matrix is a strategic tool used to support decision-making by offering a clear structure for comparing multiple alternatives against defined criteria. Its primary purpose is to assist in selecting the most appropriate solution from several options based on objective evaluation.

2.4.1. Purpose of the Discovery Matrix

This matrix is especially useful in complex decision-making situations where multiple options must be assessed based on diverse, often competing, criteria such as cost, quality, environmental impact, or implementation time. It promotes analytical thinking and helps avoid hasty or biased choices by making comparisons explicit and measurable (Saaty, 2008)

2.4.2. Structure of the Discovery Matrix

The matrix is structured as a table with:

- Columns: Representing the different options or alternatives under consideration.
- Rows: Representing the evaluation criteria.
- Scores: Assigned to each option for each criterion, typically on a scale (e.g., 1 to 10), optionally weighted to reflect the relative importance of each criterion.

Table 12 : Example about the Discovery Matrix

Criteria / Options	Option A	Option B	Option C
Cost	7	5	9
Quality	9	8	6
Environmental Impact	5	8	7
Implementation Time	6	7	8
After-Sales Support	8	6	7
Total Score	35	34	37

Source : Author's elaboration

2.4.3. Using the Discovery Matrix

- Step 1: Define Decision Criteria

Criteria must be clearly established, aligned with strategic goals, and agreed upon by stakeholders. Examples include cost, quality, reliability, implementation time, customer satisfaction, and environmental impact.

- Step 2: Evaluate Options

Each alternative is rated against every criterion. The scoring must be based on relevant data, expert input, or structured analysis.

- Step 3: Calculate Scores

Sum the scores for each alternative. Weighted scores may be used if some criteria are more significant than others.

- Step 4: Make a Decision

Select the option with the highest total score—or use the matrix to narrow down choices before conducting deeper analysis. This approach promotes informed, transparent, and rational decision-making (Kepner & Tregoe, 2006)

2.4.4. Advantages of the Discovery Matrix

- Clarity: Offers a visual, easy-to-understand comparison of options.
- Objectivity: Reduces personal bias by using quantifiable scores.
- Weighting: Supports nuanced decision-making by adjusting for the importance of criteria.
- Transparency: Facilitates communication with stakeholders by documenting how and why a decision was made.

2.4.5. Limitations of the Discovery Matrix

- Complexity: Too many or poorly defined criteria can complicate the matrix.
- Subjectivity: Scores may still reflect personal judgments or biases.

- Quantification Gaps: Some qualitative factors (such as ethical values or long-term social impact) may not be adequately represented.

2.5. The 20/80 Method (Pareto Principle) in Decision-Making

The 20/80 method, also known as the Pareto Principle, is a powerful decision-making tool that helps prioritize actions and optimize resource allocation. The principle suggests that roughly 80% of outcomes stem from just 20% of causes. In the context of decision-making, this rule is used to identify the most impactful elements to focus on in order to maximize results with minimal effort.

2.5.1. Origin and Concept of the Pareto Principle

The Pareto Principle was first formulated by Italian economist Vilfredo Pareto in the late 19th century. He observed that 20% of the population owned 80% of the land in Italy. Over time, this principle was extended to various fields, including economics, business, and management. It has been found that a small percentage of causes typically generate a large percentage of results (Koontz & Weihrich, 2019)

2.5.2. Applying the 20/80 Principle in Decision-Making

In decision-making, the 20/80 method serves to identify the critical few factors that drive most of the outcomes. It encourages decision-makers to concentrate efforts where they matter most, rather than spreading attention across all tasks equally (Drucker, 2007)

2.5.3. Identifying Priorities

The principle helps distinguish the few high-impact tasks from the many low-impact ones. Rather than managing a long list of equally weighted tasks, decision-makers can prioritize the 20% that yield 80% of the results.

Examples: In business management, 20% of customers may generate 80% of the profits. Identifying and prioritizing these key clients can lead to improved customer relationship management.

In personal time management, 20% of your activities may account for 80% of your productivity. Focusing on these tasks enhances efficiency.

2.5.4. Practical Applications of the 20/80 Method in Decision-Making

Example : Customer and Revenue Management

A company sells products to a large number of clients. By applying the Pareto Principle, it discovers that 20% of the clients generate 80% of its revenue.

Decision-Making Implication: The company can focus on these key clients by offering personalized services or loyalty programs to increase profitability with less effort.

Concrete Action: The sales team can allocate more marketing and retention resources to these high-value clients while reducing investments in less profitable accounts.

The Pareto Principle (80/20 Rule) is a strategic and essential tool for effective decision-making. By focusing on the 20% of causes that produce 80% of outcomes, decision-makers can optimize resources, improve productivity, and make informed choices with minimal effort. Whether applied to customer management, product development, or time management, this method provides a simple yet powerful framework to maximize results and reduce inefficiencies.

The decision-making process is vital to the effective functioning of any organization. By using structured tools such as Brainstorming, the 5 Whys Method, the Eisenhower Matrix, the Decision Discovery Matrix, and the Pareto Principle, decisions can be made in a more rational, evidence-based, and strategic manner. It is also crucial to understand the role of each stakeholder in the process, as each actor contributes to the success of the final decision.

This chapter shows that decision-making is a key managerial process that shapes organizational performance and direction. It is not linear but dynamic, combining analysis, judgment, and adaptation in uncertain environments. It also highlights that decisions are collective, involving top management, managers, experts, employees, and external stakeholders, all of whom contribute to better outcomes through coordination and interaction.

Finally, the chapter emphasizes the importance of decision-support tools (brainstorming, 5 Whys, Eisenhower Matrix, Discovery Matrix, and Pareto Principle), which help structure thinking, improve problem-solving, prioritize actions, and enhance decision quality. Overall, effective decision-making depends on both human collaboration and the use of appropriate analytical tools.

CONCLUSION :

The course *Economics and Analysis of Organizations* represents a fundamental academic pillar for first-year master's students, as it opens wide perspectives for understanding the complex interactions that shape organizational functioning within contemporary economic and managerial contexts. An organization, in its various forms, is a dynamic entity that integrates economic, social, technological, and legal dimensions. This multidimensional nature requires students to develop the ability to grasp how organizations operate within fast-changing environments.

What makes this course particularly significant is its combination of theoretical foundations and practical applications. On the one hand, it introduces the major schools of thought in organizational studies : ranging from classical theories, to human resource approaches, to modern contractual and contingency perspectives. On the other hand, it provides practical connections through case studies, analytical tools, and problem-solving frameworks that support decision-making. This balance equips students not only with conceptual understanding but also with applied skills essential for analyzing real-world organizational contexts.

By addressing the different organizational functions (administrative, human resources, production, commercial, supply, and financial) the course highlights how these elements integrate to form the overall architecture of organizations. Each function represents a building block of organizational performance, and understanding their interdependence is crucial for achieving efficiency and effectiveness. This holistic approach encourages students to reflect on the interconnectedness of economic activities and the creation and management of value across different organizational structures.

From the perspective of pedagogical objectives, the course aims to:

- Provide students with mastery of fundamental concepts in organizational economics.
- Deepen their awareness of the role of incentives, governance mechanisms, and information asymmetry in shaping organizational behavior.
- Offer a solid theoretical framework to understand and interpret decision-making and coordination patterns.

- Develop a critical vision to analyze strengths and weaknesses of different organizational structures.

In terms of skills development, students are expected to acquire:

- The ability to interpret theoretical foundations of organizational forms and structures.
- Competence in analyzing organizational situations using rigorous economic and managerial tools.
- Skills to evaluate governance strategies and coordination mechanisms from an economic perspective.
- Readiness to apply these insights in real-world contexts, whether in the public or private sector.
- The ability to use decision-support tools such as brainstorming, Eisenhower matrix, Pareto principle, and other modern analytical techniques.

The importance of this course also lies in its role as a bridge between foundational knowledge and advanced specialization. It prepares students for subsequent studies in areas such as strategic management, corporate governance, human resource management, and economic policy. Without a solid grounding in the economics and analysis of organizations, it becomes difficult to fully grasp the complexities of these advanced domains. Thus, the course functions as a strategic academic tool for preparing students for more specialized learning and research.

The pedagogical approach adopted also contributes to the development of critical and analytical thinking skills. Students learn to connect abstract concepts with concrete realities, to analyze organizational scenarios, and to propose evidence-based solutions. Such analytical capacity is among the most valuable competencies for managers, economists, and analysts in today's labor market, especially in light of accelerating technological and economic transformations.

On the professional level, mastering the content of this course enables students to contribute effectively within diverse organizational environments. With a strong knowledge base, analytical skills, and practical tools, graduates will be well prepared to tackle organizational challenges across economic enterprises, public institutions, and non-profit organizations. This enhances their professional readiness and supports their active involvement in organizational development, governance, and performance improvement initiatives.

In conclusion, the course Economics and Analysis of Organizations goes beyond transmitting theoretical knowledge :it provides a comprehensive academic space for learning, critical reflection, and applied practice. It equips students not only with core concepts but also with methodological tools and analytical frameworks that allow them to think scientifically and systematically about how organizations function and evolve in complex environments. Therefore, this course constitutes a cornerstone in building academic and professional competencies, ensuring that graduates are better prepared to enhance institutional efficiency, strengthen governance, and actively participate in shaping strategies for economic and social development.

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